



JOSEPH KELLY
TREASURER AND TAX COLLECTOR

COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

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March 17, 2015

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**ISSUANCE AND SALE OF
COUNTY IMPROVEMENT NO. 2661-M
(CARROLL DRIVE SEWER PROJECT)
LIMITED OBLIGATION IMPROVEMENT BONDS, SERIES 2015
(FIFTH DISTRICT) (3 VOTES)**

SUBJECT

The Treasurer and Tax Collector is seeking authorization to issue up to \$400,000 of limited obligation improvement bonds to finance the construction of a sanitary sewer system on Carroll Drive in the unincorporated community of Altadena.

IT IS RECOMMENDED THAT THE BOARD:

Adopt the resolution authorizing: a) the issuance and sale of County Improvement No. 2661-M (Carroll Drive Sewer Project) Limited Obligation Improvement Bonds, Series 2015, with a not to exceed par amount of \$400,000; b) the approval of unpaid and administrative assessments; and c) the execution and delivery of various legal documents required to issue the bonds and complete the proposed transaction.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the above recommendations will facilitate the issuance and sale of County Improvement No. 2661-M (Carroll Drive Sewer Project) Limited Obligation Improvement Bonds, Series 2015 (the "Bonds"). The proceeds from the sale of the Bonds will be used to finance the construction of a mainline sanitary sewer system (the "Project") for County Improvement District No. 2661-M (the "Improvement District"), encompassing thirteen parcels on Carroll Drive in the unincorporated

community of Altadena.

In accordance with the Municipal Improvement Act of 1913 and Section 10000 et seq. of the California Streets and Highways Code (the "1913 Act"), a public hearing was held by your Board on June 4, 2014, to consider the construction of the Project and the proposed assessments to be levied on the benefited parcels. Following the tabulation of ballots submitted by the affected residents on Carroll Drive, your Board found that a majority of the votes were in favor of assessments to finance the Project. Construction of the mainline sewer on Carroll Drive will commence following the completion of a Request for Proposals (RFP) to select a construction vendor and the sale of the Bonds.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #1: Operational Effectiveness/Fiscal Sustainability through the use of voter-approved bond financing to facilitate a critical infrastructure project in an unincorporated area of the County.

FISCAL IMPACT/FINANCING

There will be no fiscal impact to the County. The construction cost of the Project will be financed through direct assessments levied on parcels in the Improvement District. The payment of debt service on the Bonds and the related administrative expenses are a direct obligation of the property owners and will be levied and collected on an annual basis through the County property tax system.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The 1913 Act permits the formation of assessment districts by local agencies for the purpose of providing certain public improvements. The 1913 Act further provides that the cost of these improvements shall be assessed according to the direct benefit that each property receives from the project. For the residents of Carroll Drive, it was determined that each of the 13 parcels will receive an equal benefit from the Project.

Following the public hearing of June 4, 2014, residents of Carroll Drive were entitled to a 30-day cash payment period to pre-pay some or all of the estimated direct assessment. A total of four parcels were pre-paid in full during this period, resulting in a cash deposit of \$143,630 to fund both the Project and certain related financing costs. The remaining cost of approximately \$375,000 will be funded with proceeds from the sale of the Bonds and direct assessments placed on the remaining nine parcels in the Improvement District.

The Treasurer and Tax Collector is recommending that the issuance of the Bonds be conducted through a negotiated sale. Stifel Nicolaus & Company, Inc. has been selected as the underwriter for the Bonds, with Hawkins Delafield & Wood serving as bond counsel for the transaction. David Taussig & Associates will act as special tax consultant for the Bonds and will provide ongoing services to assist the County with the administration of the Improvement District. The final maturity of the bonds shall not exceed 20 years from the second day of September succeeding the first 12 months after issuance. The interest cost on the Bonds shall not exceed six percent (6.0%) per annum.

The current financing schedule for the Bonds estimates a pricing date in early April 2015. Shortly thereafter, the Department of Public Works will return to your Board with a recommendation to award

the construction contract and initiate work at the project site. Completion of the project is estimated for the summer of 2015.

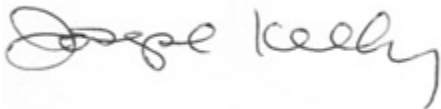
IMPACT ON CURRENT SERVICES (OR PROJECTS)

The construction of the Project will provide residents of the Improvement District with access to a reliable public sanitary sewer system.

CONCLUSION

Upon approval of the attached Resolution, it is requested that the Acting Executive Officer of the Board return two originally executed copies to the Public Finance Office of the Treasurer and Tax Collector.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Joseph Kelly". The signature is fluid and cursive, with the first name "Joseph" written in a larger, more prominent script than the last name "Kelly".

Joseph Kelly
Treasurer and Tax Collector

JK:GB:DB:JP:JW:p
abPb/brdltr/2014
PWFA LRBs

Enclosures

c: Interim Chief Executive Officer
Auditor-Controller
County Counsel
Director of Public Works
Acting Executive Officer, Board of Supervisors

**COUNTY OF LOS ANGELES
COUNTY IMPROVEMENT NO. 2661-M
(CARROLL DRIVE SEWER PROJECT)
LIMITED OBLIGATION IMPROVEMENT BONDS SERIES 2015**

**RESOLUTION DETERMINING UNPAID ASSESSMENTS
AND AUTHORIZING THE ISSUANCE AND SALE OF BONDS**

WHEREAS, pursuant to a resolution entitled “Resolution of Intention for the Construction of Sanitary Sewers” (the “Resolution of Intention”), adopted on April 8, 2014, and proceedings taken pursuant thereto under and in accordance with the Municipal Improvement Act of 1913, being Division 12 (commencing with Section 10000) of the California Streets and Highways Code and Chapter 4.56 of the Los Angeles County Code, the Board of Supervisors (the “Board”) of the County of Los Angeles (the “County”) has determined that the public interest, necessity and convenience require and, pursuant to such determination, has ordered, the construction of sanitary sewers and appurtenances around Carroll Drive in the unincorporated community of Altadena (the “Assessment District”) and certain other actions in connection therewith; and

WHEREAS, pursuant to the determinations and resolutions set forth in the Resolution of Intention, the provisions of the Special Assessment Investigation Limitation and Majority Protest Act of 1931 do not apply; and

WHEREAS, as provided in the Resolution of Intention and in compliance with the provisions of Articles XIIC and XIID of the California Constitution, Proposition 218 Omnibus Implementation Act being Division 2, Part 1, Chapter 1, Article 4 (commencing with Section 53750) of the California Government Code and Chapter 4.56 of the Los Angeles County Code, an assessment ballot (the “Ballots”) and public hearing notice were mailed to all property owners within the proposed boundaries of the Assessment District; and

WHEREAS, the Ballots of the property owners have been tabulated and it has been determined that the Ballots submitted and not withdrawn in opposition to the proposed assessment do not exceed the Ballots submitted and not withdraw in its favor, weighting those Ballots by the amount of the proposed assessment to be imposed upon the identified parcel for which each assessment ballot was submitted; and

WHEREAS, an engineer’s report (the “Engineer’s Report”) setting forth, among other things, an assessment of the costs and expenses of said improvements pursuant to Section 10204 of the California Streets and Highways Code was duly made and filed, and a hearing was duly held thereon on June 4, 2014, and pursuant to a resolution entitled “Resolution Confirming Assessment and Ordering Improvements Made” (the “Resolution of Formation”), adopted on June 4, 2014, the Board duly confirmed such assessment and ordered that the improvements be made in accordance with the Resolution of Intention and the Engineer’s Report; and

WHEREAS an assessment diagram and a notice of assessment have been recorded in the office of the County Recorder of the County of Los Angeles and with the Department of Public Works; and

WHEREAS, the assessments have been duly levied upon the respective parcels of land in the Assessment District; and

WHEREAS, a list of unpaid assessments for the Assessment District is attached hereto as Exhibit A (the "List of Unpaid Assessments"); and

WHEREAS, it is necessary and desirable that the Board authorize the issuance and sale of bonds representing such unpaid assessments, generally designated as the "County of Los Angeles County Improvement No. 2661-M (Carroll Drive Sewer Project) Limited Obligation Improvement Bonds, Series 2015" (the "Bonds"); and

WHEREAS, the Board determined that the Bonds will be issued pursuant to the Improvement Bond Act of 1915, being Division 10 of the of the California Streets and Highways Code, commencing with Section 8500 (as amended, the "1915 Act"); and

WHEREAS, there has been prepared a form of Indenture (the "Indenture"), among the County, the County Treasurer and Tax Collector (the "Treasurer"), as paying agent, and the County Auditor-Controller, as fiscal agent, setting forth the terms of the Bonds; and

WHEREAS, a form of the Preliminary Official Statement (the "Preliminary Official Statement") to be distributed in connection with the public offering of the Bonds has been prepared; and

WHEREAS, Stifel Nicolaus & Company, Inc. (the "Underwriter") has submitted to the County a proposal to purchase the Bonds in the form of Bond Purchase Agreement (the "Bond Purchase Agreement"); and

WHEREAS, the Board has been presented with the form of each document referred to herein relating to the actions contemplated hereby and the Board has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such actions; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the actions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the County is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such actions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES, DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. Recitals Correct. The recitals set forth hereinabove are true and correct in all respects.

SECTION 2. Determination of Unpaid Assessments. The County determines and declares that the assessments remaining unpaid are as set forth in the List of Unpaid Assessments.

SECTION 3. Determination of Annual Assessment for Administrative Cost. The County determines pursuant to Section 10312(b) of the 1913 Act that the annual assessment to pay for administrative cost for each parcel within the Assessment District shall be \$200 and shall be collected in the same manner and in the same installments as the assessments levied pursuant to Section 10312(a) of the 1913 Act and the Resolution of Formation, and may be combined with those assessments for collection in any manner which is convenient and economical.

SECTION 4. Issuance of Bonds. The County hereby authorizes and approves the issuance of the Bonds pursuant to the 1915 Act, the Resolution of Intention, the Resolution of Formation, this Resolution and other proceedings undertaken in connection therewith (collectively, the "Proceedings") and the Indenture in the maximum aggregate principal amount of \$400,000; provided, however, that the term of the Bonds shall not exceed 20 years from the second day of September succeeding the first 12 months after their date and the interest cost of the Bonds shall not exceed 6.00% per annum; provided, further, that the Bonds or any portion thereof shall be subject to redemption in advance of their maturity on any interest payment date upon payment to the bondholder of the principal and accrued interest to the date of redemption together with a redemption premium of not more than 5.00% and not less than 3.00% of the principal for the first five years of the term of the Bonds, which redemption premium may be reduced to 0.00% after the first five years of the term of the Bonds as set forth in the Indenture.

SECTION 5. Form of Indenture. The form of the Indenture, submitted to and on file with the Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Mayor of the Board, and such other member of the Board as the Mayor may designate, the County Treasurer, and such other officer or employee of the County as the County Treasurer may designate (collectively, the "Authorized Officers"), are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Indenture in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, including the appointment of a trustee to perform various fiscal agent and paying agent duties, and subject to the provisions set forth under Section 4 above, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 6. Form of Bond Purchase Agreement. The form of Bond Purchase Agreement, submitted to and on file with the Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and each of the Authorized Officers is hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Bond Purchase Agreement in substantially said form, with such additions, deletions and clarifications permitted by the 1915 Act and the Proceedings and as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and

delivery thereof; provided, however, that the sale price of the Bonds shall not be less than the principal amount of the Bonds.

SECTION 7. Preparation of Official Statement. The form of Preliminary Official Statement, submitted to and on file with the Executive Officer-Clerk of the Board of Supervisors, with such changes therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved.

The preparation and delivery of an Official Statement, and its use by the Underwriter in connection with the offering and sale of the Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer.

SECTION 8. Additional Acts. The officers of the County and their authorized representatives are, and each of them is, hereby authorized and directed to execute and deliver the Bonds and to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts necessary and proper to effectuate the purposes of this resolution or to carry out the transactions contemplated by and in accordance with the Proceedings, the Indenture, the Official Statement, the Bond Purchase Agreement and all actions heretofore taken by any of them with respect to the issuance and sale of the Bonds or in connection with or related to any of the agreements referenced herein are hereby approved, confirmed and ratified.

SECTION 9. Effective Date. This Resolution shall take effect on its passage and adoption.

The foregoing Resolution was on the _____ day of March 2015 adopted by the Board of Supervisors of the County of Los Angeles and *ex officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

By: PATRICK OGAWA,
Acting Executive Officer-Clerk of the Board
of Supervisors of the County of Los Angeles

By: _____
Deputy

APPROVED AS TO FORM:

MARK J. SALADINO
County Counsel


By: 
Principal Deputy County Counsel

Exhibit A

List of Unpaid Assessments

Assessor Parcel Number	Property Address	City, State, Zip Code	Unpaid Assessment
5846-021-017	1525 Carroll Drive	Altadena, CA 91001	\$45,769.23
5846-021-020	1505 Carroll Drive	Altadena, CA 91001	45,769.23
5846-021-021	1499 Carroll Drive	Altadena, CA 91001	45,769.23
5846-021-023	1489 Carroll Drive	Altadena, CA 91001	45,769.23
5846-021-025	1485 Carroll Drive	Altadena, CA 91001	45,769.23
5846-021-033	1490 Carroll Drive	Altadena, CA 91001	45,769.23
5846-021-035	1500 Carroll Drive	Altadena, CA 91001	45,769.23
5846-021-036	1508 Carroll Drive	Altadena, CA 91001	45,769.23
5846-021-038	1514 Carroll Drive	Altadena, CA 91001	<u>45,769.23</u>
Total:			<u>\$411,923.07</u>

INDENTURE

Dated as of March 1, 2015

by and among

COUNTY OF LOS ANGELES, CALIFORNIA,

**TREASURER AND TAX COLLECTOR OF THE COUNTY OF LOS ANGELES
as the Paying Agent**

and

**AUDITOR-CONTROLLER OF THE COUNTY OF LOS ANGELES
as the Fiscal Agent**

**[\$[Principal Amount]
County Improvement District No. 2661-M
(Carroll Drive Sewer Project)
Limited Obligation Improvement Bonds, Series 2015**

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INDENTURE

This Indenture (this “Indenture”), dated as of March 1, 2015, is executed by and among the County of Los Angeles (the “County”), a political subdivision of the State of California (the “State”), the Treasurer and Tax Collector of the County, as paying agent (the “Paying Agent”) on behalf of the owners of the herein described Bonds, and the Auditor-Controller of the County, as fiscal agent (the “Fiscal Agent”) on behalf of the owners of the herein described Bonds.

WHEREAS, on April 8, 2014 the Board of Supervisors of the County (the “Board of Supervisors”) passed and adopted a resolution entitled “Resolution of Intention for the Construction of Sanitary Sewers” (the “Resolution of Intention”) relating to the levy of assessments pursuant to the Municipal Improvement Act of 1913, Division 10 (commencing with Section 10000) of the Streets and Highways Code of California (as amended, the “1913 Act”) and the issuance of limited obligation improvement bonds pursuant to the Improvement Bond Act of 1915, Division 10 of the Streets and Highways Code of California (as amended, the “1915 Act”) in and for County Improvement District No. 2661-M (Carroll Drive Sewers Project) (the “Assessment District”); and

WHEREAS, under the provisions of the 1913 Act, on June 4, 2014, the Board of Supervisors duly conducted a public hearing and thereafter adopted a resolution entitled “Resolution Confirming Assessment and Ordering Improvements Made” (the “Resolution of Formation”) which, among other matters, confirmed the assessments and ordered that improvements be made in accordance with the Resolution of Intention and the engineer’s report described therein;

WHEREAS, under the provisions of the 1913 Act, on March __, 2015, the Board of Supervisors adopted a resolution entitled “Resolution Determining Unpaid Assessments and Authorizing the Issuance and Sale of Bonds” (the “Resolution of Issuance”), which, among other matters, authorized the issuance of limited obligation improvement bonds of the County designated “County Improvement District No. 2661-M (Carroll Drive Sewer Project) Limited Obligation Improvement Bonds, Series 2015” (the “Bonds”) upon the security of the unpaid assessments, and provided that said issuance would be in accordance with the 1915 Act and this Indenture, and authorized the execution hereof; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured, and to secure the payment of the principal thereof and premium, if any, and interest thereon, the parties hereto have authorized the execution and delivery of this Indenture; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Indenture do exist, have happened and have been performed in due time, form, and manner as required by law, and the parties hereto are duly authorized to execute and enter into this Indenture;

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION; AUTHORIZATION OF BONDS

Section 1.1. Definitions. Unless the context otherwise requires, the following terms shall have the following meanings for purposes of this Indenture:

“1913 Act” means The Municipal Improvement Act of 1913, being Division 12 of the Streets and Highways Code of the State.

“1915 Act” means The Improvement Bond Act of 1915, being Division 10 of the Streets and Highways Code of the State.

“Administrative Expenses” means the ordinary and necessary costs of administering the levy and collection of the Assessments and all other administrative costs and incidental expenses related to the Bonds, including, but not limited to, any annual audit fees, Paying Agent fees, Fiscal Agent fees, and fees incurred in connection with the calculation of arbitrage rebate due to the federal government and amounts payable to the federal government as arbitrage rebate, and such other costs as are paid or payable from amounts collected pursuant to Sections 8682, 8682.1 or 10312 of the California Streets and Highways Code, including but not limited to annual administrative cost set forth in the Engineer’s Report and approved by the Board of Supervisors.

“Administrative Expense Fund” means the account by that name established and held by the County pursuant to Section 4.7.

“Annual Debt Service” means the total amount of principal and interest coming due and payable on the Bonds during any calendar year, as adjusted from time to time following any redemption of Bonds in advance of maturity.

“Assessment District” means the County Improvement District No. 2661-M (Carroll Drive Sewer Project).

“Assessments” means the assessments levied by the County constituting a lien and charge upon the real property within the Assessment District and securing the Bonds, including any reassessments of said real properties pursuant to the California Streets and Highways Code, but excluding any administrative costs or other costs assessed or levied against such property pursuant to the California Streets and Highways Code.

“Assessment Installments” means the installments of principal, interest and premium, if any, to be paid on the unpaid Assessments by the owners of real property within the Assessment District.

“Auditor” means the Auditor-Controller of the County.

“Authorized Investment” means any legal investment of County funds.

“Authorized Representative of the County” means the Treasurer, the Auditor, or any other person designated by such officers and authorized to act on behalf of the County under or with respect to this Indenture and all other agreements related hereto.

“Board of Supervisors” means the Board of Supervisors of the County.

“Bond Counsel” means a firm of nationally recognized bond counsel selected by the County.

“Bond Date” means the dated date of the Bonds, which shall be the Closing Date thereof.

“Bond Proceeds Account” means the account established within the Improvement Fund and administered by the Fiscal Agent pursuant to Section 4.3(a).

“Bonds” means the County Improvement District No. 2661-M (Carroll Drive Sewer Project) Limited Obligation Improvement Bonds, Series 2015.

“Bond Year” means each twelve-month period beginning on September 3 in each year and extending to the next succeeding September 2, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 2, 2016.

“Book-Entry Bonds” means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for the Bonds, as the registered owner thereof pursuant to the terms and provisions of Section 2.9.

“Business Day” means any day other than (i) a Saturday or a Sunday, (ii) a day on which banking institutions in the State or the Federal Reserve System are authorized or obligated by law or executive order to be closed, or (iii) a day on which the County offices are closed on account of an official holiday recognized by the County.

“Cash Proceeds Account” means the account established within the Improvement Fund and administered by the Fiscal Agent pursuant to Section 4.3(a).

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“Certificate of Completion” means a notice filed with the Treasurer and the Fiscal Agent by the Director of Public Works stating the fact and date of completion or termination of the acquisition and construction of the Project and stating that all the costs of such acquisition and construction and equipment and expenses incidental thereto have been determined and paid (or that all such costs and expenses have been paid other than specified claims, including costs of acquisition of rights of way, which are subject to dispute and for which a retention in the Improvement Fund is to be maintained and the full amount of such claims until such dispute is

resolved or that such costs represent fees, costs or indemnifications of the Treasurer, the Auditor, the Paying Agent or the Fiscal Agent).

“Closing Date” means, with respect to the Bonds the date of initial delivery of such Bonds.

“Code” means the Internal Revenue Code of 1986, as amended.

“Costs of Issuance” means all of the costs of issuing the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Bonds and any and all other agreements, instruments, certificates or other documents issued in connection therewith; legal fees and expenses of counsel with respect to the issuance of the Bonds; underwriter’s fees; the initial fees and expenses of the Fiscal Agent and the Paying Agent, if any (including without limitation, origination fees and first annual fees payable in advance); and other fees and expenses incurred in connection with the issuance of the Bonds or the implementation of the financing for the Project to the extent such fees and expenses are approved by the County.

“Costs of Issuance Fund” means the fund created and established pursuant to Section 4.1 hereof.

“County” means the County of Los Angeles, a political subdivision of the State.

“Dated Date” means the date of issuance of the Bonds.

“Debt Service Fund” means the fund by that name established and held by the Fiscal Agent pursuant to Section 4.1.

“DTC” means The Depository Trust Company in New York, New York.

“Event of Default” means any occurrence or event specified in and defined by Section 8.1 hereof.

“Federal Securities” means any of the following which at the time of investment are legal investments under the laws of the State of California for the funds proposed to be invested therein: (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

“Fiscal Agent” means (i) the Auditor or his designated agent or (ii) any bank, trust company, national banking association or other financial institution appointed as fiscal agent for the Bonds in the manner provided in this Indenture.

“Fiscal Year” means any twelve-month period extending from July 1st in one calendar year to June 30th of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the County as its official fiscal year period.

“Improvement Fund” means the fund by that name established and held by the Fiscal Agent pursuant to Section 4.1 hereof.

“Indenture” means this Indenture, dated as of March 1, 2015, by and among the County, the Paying Agent and the Fiscal Agent, as amended or supplemented pursuant to the terms hereof.

“Independent Public Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the County who, or each of whom (i) is in fact independent and not under domination of the County; (ii) does not have any substantial interest, direct or indirect the County; and (iii) is not connected with the County as an officer or employee of the County but who may be regularly retained to make annual or other audits of the books of, or reports to, the County.

“Interest Payment Date” means, with respect to any Bond, March 2 and September 2 in each year, beginning on March 2 in the year immediately succeeding the August deadline by which the Assessments of the applicable Assessment Contracts have been enrolled on the County tax roll, and continuing thereafter so long as any Bonds remain Outstanding.

“Maturity Date” means the date specified in any Bond on which the principal of such Bond becomes due and payable.

“Maximum Annual Debt Service” means the highest amount of Annual Debt Service for any remaining Bond Year.

“Outstanding” means, subject to the provisions of Section 9.6 hereof, all Bonds theretofore or thereupon being authenticated and delivered by the Paying Agent under this Indenture except:

- (1) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;
- (2) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Paying Agent pursuant to this Indenture;
- (3) From and after the date fixed for redemption, Bonds or portions thereof designated for redemption for which notice of redemption has been duly given and the amount necessary for redemption has been made available for that purpose; and
- (4) Bonds for the payment or redemption of which funds or eligible securities in the necessary amount shall have theretofore been deposited with the Fiscal Agent in accordance with Section 9.1 hereof (whether on or prior to the maturity or Redemption Date of such Bonds).

“Owner” when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books maintained by the Fiscal Agent.

“Paying Agent” means the Treasurer and its designated agents, any third party contractor serving as Paying Agent, and their successors or assigns, acting in the capacity of registrar, paying agent and transfer agent. The Treasurer is authorized to contract with any third party to perform the services of Paying Agent under this Indenture.

“Payment Account” means the account by that name established and held by the Fiscal Agent pursuant to Section 4.1 hereof with respect to the Bonds issued hereunder.

“Payment Request Form” means a payment request form to be used in connection with the payment of Costs of Issuance, Project Costs or Administrative Expenses substantially in the form of Exhibit B attached hereto.

“Prepayment Account” means the account by that name established and held by the Fiscal Agent pursuant to Section 4.1 hereof with respect to the Bonds issued hereunder.

“Principal Office” means the principal office of the Paying Agent located in Los Angeles, California.

“Principal Payment Date” means September 2 of each year, commencing September 2, 20__ with respect to the Bonds.

“Project” means the design and construction of a sanitary sewers and related work of improvement as more fully described in the Engineer’s Report for County Improvement District No. 2661-M (Carroll Drive Sewer Project) and confirmed by the Board of Supervisors on June 4, 2015.

“Project Costs” mean all expenses of and incidental to the construction or acquisition of the Project, including Costs of Issuance but excluding annual ongoing Administrative Expenses paid from the Administrative Expense Fund.

“Record Date” means the fifteenth calendar day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

“Redemption Date” means, with respect to any Bond, the date on which such Bond has been called for redemption prior to its maturity date pursuant to the terms of this Indenture.

“Redemption Notice” has the meaning provided in Section 3.6 hereof.

“Registration Books” means the records maintained by the Paying Agent pursuant to Section 2.9 hereof for the registration and transfer of ownership of the Bonds.

“Representation Letter” means the Blanket Letter of Representations delivered upon or prior to the issuance of the Bonds to DTC by the County.

“Reserve Fund” means the fund created and established pursuant to Section 4.1 hereof.

“Reserve Requirement” means, as of the date of any calculation, which calculation shall be made by the Fiscal Agent, an amount equal to the least of (a) 100% of the Maximum Annual Debt Service on the Bonds for that or any subsequent Bond Year, or (b) 10% of the issue price (within the meaning of section 148 of the Code) of the Bonds or (iii) 125% of average Annual Debt Service on the Bonds for that and any subsequent Bond Year.

“Resolution of Formation” means the resolution entitled “Resolution Confirming Assessment and Ordering Improvements Made” adopted by the Board of Supervisors on June 6, 2014, including any amendment thereto.

“Resolution of Intention” means the resolution entitled “Resolution of Intention for the Construction of Sanitary Sewers” adopted by the Board of Supervisors on April 8, 2014, including any amendment thereto and restatement thereof.

“Resolution of Issuance” means the resolution entitled “Resolution Determining Unpaid Assessments and Authorizing the Issuance and Sale of Bonds” adopted by the Board of Supervisors on March __, 2015, including any amendment thereto and restatement thereof.

“Securities Depository” means the securities depository acting a Depository pursuant to Section 2.9.

“State” means the State of California.

“Supplemental Indenture” means any indenture adopted by the parties hereto amendatory of or supplemental to this Indenture.

“Tax Certificate” means the Tax Certificate relating to the Bonds executed and delivered by the County on the Dated Date.

[“Term Bonds” means Bonds designated as Term Bonds herein, which are payable on or before their specified maturity dates from mandatory sinking fund redemption payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.]

“Treasurer” means the Treasurer and Tax Collector of the County.

Section 1.2. Rules of Construction. All references in this Indenture to “Sections,” and other subdivisions, unless indicated otherwise, are to the corresponding Sections or subdivisions of this Indenture; and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Section or subdivision hereof.

Section 1.3. Authorization. The parties executing this Indenture hereby represent and warrant that they have full legal authority and are duly empowered to execute this Indenture, and have taken all action necessary to authorize the execution and delivery of this Indenture. The Board of Supervisors has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen and be performed

precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the County is now authorized, pursuant to each and every requirement of law, to issue the Bonds in the manner and form as in this Indenture provided. The Board of Supervisors hereby authorizes the issuance of the Bonds pursuant to the 1915 Act and this Indenture upon the security of Assessments pursuant to the 1913 Act for the purpose of financing the project.

ARTICLE II

THE BONDS

Section 2.1. Equality of Bonds; Pledge; Limited Liability

(a) The County hereby pledges and assigns to the Paying Agent and the Fiscal Agent, as applicable, in trust for the protection and security of the Bondowners, all of its right, title and interest in the Assessments, the proceeds of the sale of the Bonds and all other funds, accounts and sub-accounts (other than the Improvement Fund, the Administrative Expense Fund and the Rebate Fund) created hereunder for the payment of principal of, premium (if any) and interest on the Bonds. Pursuant to the 1915 Act and this Indenture, the Bonds shall be and are equally secured by a pledge of and lien upon the Assessments and the amounts on deposit in aforementioned funds and accounts.

(b) The Bonds and interest thereon are not payable from the general funds of the County. Neither the credit of the County nor the taxing power of the County, the State or any political subdivision thereof is pledged for the payment of the Bonds or the interest thereon, and, except as provided herein, no Owner of the Bonds may compel the exercise of any taxing power by the County or force the forfeiture of any of their respective property. The principal of, and premium (if any) and interest on the Bonds are not a debt of the County, the State or any political subdivision thereof nor a legal or equitable pledge, charge, lien or encumbrance upon any of their respective property of the County, or upon any of their income, receipts or revenues, except the Assessment Installments.

(c) Except for the collection of the Assessment Installments and the observance and performance of the other conditions, covenants and terms contained herein or in the 1913 Act or the 1915 Act required to be observed or performed by it, the County shall not have any obligation or liability to the Owners with respect to this Indenture or the Bonds.

Section 2.2. Issuance of Bonds; Description of Bonds. (a) The Bonds shall consist of such Bonds designated generally as “County of Los Angeles County Improvement District No. 2661-M (Carroll Drive Sewer Project) Limited Obligation Improvement Bonds, Series 2015” and shall be secured by and payable from the Assessments and other moneys pledged hereunder.

(b) The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall be dated as of their Dated Date, shall be issued in the aggregate principal amount of \$[Principal Amount], shall mature on the dates and shall bear

interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates specified below.

Maturity Date (September 2)	Principal Amount	Interest Rate
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The Bonds maturing on and after September 2, 20__ are hereby designated Term Bonds.

Section 2.3. Medium and Payment. Principal of, and premium (if any) and interest on the Bonds shall be payable in lawful money of the United States of America. The principal of the Bonds shall be payable on the Maturity Date set forth in the Bonds. Interest with respect to each Bond shall accrue from the Bond Date. Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest shall be payable from the Bond Date; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on that Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

Principal of and interest on any Bond shall be paid by check of the Paying Agent mailed on or before the Interest Payment Date by first class mail, postage prepaid, to the person whose name appears in the Registration Books as the Owner of such Bond as of the close of business on the Record Date, to the address that appears on the Registration Books, provided that the payment of principal of the Bonds on the final Maturity Date and the payment of the principal of the Bonds and any premium due upon the redemption thereof shall be payable upon presentation and surrender thereof at maturity or earlier redemption at the office of the Paying Agent. In addition, upon a request in writing received by the Paying Agent on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds

payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner.

Each Bond shall bear interest until its principal sum has been paid; provided, however, that if at the Maturity Date of any Bond, or if at the Redemption Date of any Bond which has been duly called for redemption as herein provided, funds are available for the payment or redemption thereof in full accordance with the terms of this Indenture, the Bond shall then cease to bear interest.

Section 2.4. Form of Bonds and Certificate of Authentication and Registration. The form of the Bond, the form of the certificate of authentication and the form of registration thereon shall be substantially in the form attached hereto as Exhibit A and incorporated herein by this reference, with any necessary or appropriate variations, omissions and insertions as permitted or required hereunder. The Bonds may be printed, lithographed or typewritten and may contain such reference to any of the provisions of this Indenture as may be appropriate.

Section 2.5. Execution and Authentication. The Bonds shall be executed by the manual or facsimile signature of the Treasurer and attested by the manual or facsimile signature of the Executive Officer-Clerk of the Board of Supervisors. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed have been authenticated and delivered by the Paying Agent (including new Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed such Bonds had not ceased to hold such offices.

The Bonds shall bear thereon a certificate of authentication and registration, in the form set forth in Exhibit A hereto, executed by the manual signature of the Paying Agent. Only such Bonds as shall bear thereon such certificate of authentication and registration shall be entitled to any right or benefit under this Indenture, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication and registration shall have been duly executed by the Paying Agent.

Section 2.6. Registration of Exchange or Transfer. The registration of any Bond may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form acceptable to the Paying Agent and duly executed by the Owner or his or her duly authorized attorney. Bonds may be exchanged at the office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations of the same maturity and interest rate. The Paying Agent will not charge for any new Bond issued upon any transfer or exchange, but may require the Owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for registration of transfer or exchange, the Paying Agent shall authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount; provided that the Paying Agent shall not be required to register transfers or make exchanges during the 15 days immediately

preceding any Interest Payment Date, and, of (i) Bonds for a period of 15 days next preceding the date of any selection of Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

Section 2.7. Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond shall become mutilated, the Treasurer, at the expense of the Owner of such Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver a new Bond of like tenor, date, maturity and aggregate principal amount in authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Paying Agent shall be cancelled and destroyed. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence is satisfactory to the Paying Agent and indemnity satisfactory to the Paying Agent shall be given, the Treasurer, at the expense of the Owner, shall execute, the Paying Agent shall thereupon authenticate and deliver, a new Bond of like Series, tenor and maturity numbered and dated as the Paying Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Paying Agent may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Fiscal Agent). The Paying Agent may require payment of a reasonable fee for each new Bond issued under this Section 2.7 and of the expenses which may be incurred by the County and the Paying Agent. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to have been lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds secured hereby. The Paying Agent shall not treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same.

Section 2.8. Registration Books. The Paying Agent will keep or cause to be kept, at its principal office, sufficient books for the registration and transfer of the Bonds, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as he or she may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Bonds as herein provided.

The County and the Paying Agent may treat the Owner of any Bond whose name appears on the Registration Books as the absolute Owner of such Bond for any and all purposes, and the County and the Paying Agent shall not be affected by any notice to the contrary. The County and the Paying Agent may rely on the address of the Owner as it appears in the Registration Books for any and all purposes. It shall be the duty of each Owner to give written notice to the County and the Paying Agent of any change in such Owner's address so that the Registration Books may be revised accordingly.

Section 2.9. Bonds Issued In Book-Entry Form.

(a) Except as otherwise provided in subsection (c) of this Section 2.9, all of the Bonds initially executed and delivered hereunder shall be registered in the name of Cede & Co., as nominee for DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the principal of and interest on each Bonds registered in the

name of Cede & Co. shall be made to the account, in the manner and at the address indicated in or pursuant to the Representation Letter delivered to DTC by the County.

(b) The Bonds executed and delivered pursuant to this Section 2.9 shall be in the form of a single authenticated fully registered bond for each maturity of Bond. The ownership of all such Bonds shall be registered in the registration books maintained by the Paying Agent pursuant to Section 2.8 in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC may request. The Paying Agent and the County may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of and interest on such Bonds, selecting any Bonds or portions thereof to be prepaid, giving any notice permitted or required to be given to an Owner under this Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by the Owners and for all other purposes whatsoever; and neither the Paying Agent nor the County shall be affected by any notice to the contrary. Neither the Paying Agent nor the County shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 2.9, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant; (ii) the payment by DTC or any Participant of any amount in respect of the principal or interest represented by such Bonds; (iii) any notice which is permitted or required to be given to the Owners under this Indenture; (iv) the selection by DTC or any Participant of any person to receive payment in the event, if any, of a partial prepayment of the Bonds; or (v) any consent given or other action taken by DTC as Owner. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter. Upon delivery by DTC to the Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Bonds will be transferable to such new nominee in accordance with subsection (f) of this Section 2.9.

(c) In the event that the County determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain bonds, the Paying Agent shall, upon the written instruction of the County, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of Bonds. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section 2.9. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice of such discontinuance to the County or the Paying Agent and discharging its responsibilities with respect thereto under applicable law. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section 2.9. Whenever DTC requests the County, or the Paying Agent to do so, the Paying Agent and the County will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all Bonds evidencing the Bonds then Outstanding. In such event, the Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section 2.9, and thereafter, all reference in this Indenture to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as all Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal and interest represented by each such Bond and all notices with respect to each such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The County shall execute and deliver the Representation Letter and, in connection with any successor nominee for DTC and any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Indenture.

(f) In the event that any transfer or exchange of Bonds is authorized under subsection (b) or (c) of this Section 2.9, such transfer or exchange shall be accomplished upon receipt by the Paying Agent from the registered owner thereof of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Section 2.6. In the event Bonds are issued to holders other than Cede & Co., its successor as nominee for DTC as holder of all the Bonds, another securities depository as holder of all the Bonds, or the nominee of such successor securities depository, the provisions of Section 2.4, Section 2.9 and Article III shall also apply to, among other things, the registration, exchange and transfer of the Bonds and the method of payment of principal of, premium, if any, and interest on the Bonds.

Section 2.10. Validity of the Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the Improvements or upon the performance by any person of such person's obligation with respect to the Improvements.

Section 2.11. Refunding of Bonds. The Bonds may be refunded by the County at any time as permitted by and in accordance with this Indenture and applicable law including, but not limited to, the 1915 Act.

Section 2.12. Unclaimed Money. To the extent permitted by law, all money which the Paying Agent shall have received from any source and set aside for the purpose of paying or redeeming any of the Bonds shall be held for the respective Owners of such Bonds, but any money which shall be so set aside or deposited by the Paying Agent and which shall remain unclaimed by the Owners of such Bonds for a period of one year after the date on which any payment or redemption with respect to such Bonds shall have become due and payable shall be transferred to the County; provided, however, that the Paying Agent, before making such payment, shall cause notice of unclaimed money to be mailed to the Owners of such Bonds, by first class mail, postage prepaid. Thereafter, the Owners of such Bonds shall look only to the County for payment and then only to the extent of the amount so received without any interest thereon.

Section 2.13. Nonpresentment of Bonds. Except as otherwise provided in Section 2.12 hereof, in the event any Bonds shall not be presented for payment when the principal or redemption price thereof becomes due, if funds sufficient to pay such Bonds shall be held by the Paying Agent for the benefit of the Owners thereof, all liability of the County to the Owners thereof shall forthwith cease and be completely discharged and thereupon it shall be the

duty of the Paying Agent to hold such funds (subject to Section 2.12 hereof), without liability for interest thereon, for the benefit of the Owners of such Bonds, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on or with respect to such Bonds.

ARTICLE III

REDEMPTION OF BONDS

Section 3.1. Optional Redemption of Bonds. The Bonds maturing on or after September 2, 20__ are subject to redemption prior to maturity, in whole or in part in the denomination of \$5,000 each or in any integral multiple thereof on any Interest Payment Date, on and after September 2, 20__, pro rata among maturities and by lot within a maturity, from surplus monies on deposit and available for such purpose in the Debt Service Fund from sources other than those in the Prepayment Account, at the option of the County at the redemption price equal to the principal amount thereof, together with a premium (expressed as a percentage of the principal amount of Bonds to be redeemed), plus accrued interest to the date of redemption as set forth in the following table:

<u>Redemption Dates</u>	<u>Redemption Premium</u>
Interest Payment Dates Through March 2, 20__	__%
September 2, 20__ and March 2, 20__	__
September 2, 20__ and March 2, 20__	__
September 2, 20__ and thereafter	__

In the event that the County shall elect to redeem the Bonds as provided in this Section 3.1, the County shall give written notice to the Paying Agent of its election to so redeem the Bonds, the redemption date and the principal amount of each Series of Bonds to be redeemed. Such notice shall be given at least [45] days but no more than [75] days prior to the redemption date.

Section 3.2. Mandatory Sinking Fund Redemption of Bonds. The Bonds maturing on September 2, 20__ are also subject to mandatory sinking fund redemption in part, by lot, on such September 2 from mandatory sinking fund payments deposited into the Debt Service Fund, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium:

<u>Year</u>	<u>Principal Amount</u>
	\$

*

* Maturity.

If some but not all of the Term Bonds maturing on September 2, 20__ are redeemed pursuant to Section 3.1 hereof, the principal amount of Term Bonds maturing on September 2, 20__ to be subsequently redeemed pursuant to this subsection shall be reduced by

the aggregate principal amount of the Term Bonds maturing on September 2, 20__ so redeemed pursuant to Section 3.1 hereof, such reduction to be allocated among redemption dates in amounts of \$5,000 or integral multiples thereof, as designated by the County in a written certificate of the County filed with the Fiscal Agent.

In lieu of having the Fiscal Agent deposit cash with the Paying Agent as a mandatory sinking fund payment, the County shall have the option to tender to the Paying Agent for cancellation any amount of Bonds purchased by the County, which Bonds may be purchased by the County at public or private sale as and when and at such prices as the County may in its discretion determine. The principal amount of any Bonds so purchased by the County and tendered to the Paying Agent in any twelve-month period ending on July 1 in any calendar year shall be credited towards and shall reduce the next mandatory sinking fund payments required to be made in the order in which they are required to be made pursuant to this Section 3.2.

Section 3.3. Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Fiscal Agent shall select the Bonds to be redeemed from all Bonds not previously called for redemption, by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate and fair, subject to compliance with Section 8768 of the Streets and Highways Code as specified in a written certificate of the County. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

Section 3.4. Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the Paying Agent shall authenticate and deliver to the Owner a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered, with the same interest rate and the same maturity. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County shall be released and discharged thereupon from all liability to the extent of such payment.

Section 3.5. Notice of Redemption. The Paying Agent on behalf and at the expense of the County shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, at least 30 days (or other shorter period upon the consent of the Owners of any Bonds designed for redemption) but not more than sixty 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers (if any) of the Bonds to be redeemed, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the office of the Paying Agent for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption and with regard to optional redemption in the event that funds required to pay the redemption price are not on deposit under the Paying Agent Agreement at the time the notice of redemption is sent, a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Paying Agent on or prior to the redemption date. Neither the failure to

receive any notice so mailed, nor any defect in such notice, shall affect the sufficiency of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. The County has the right to rescind any optional redemption by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be canceled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Paying Agent shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided. So long as the Bonds are in book-entry form, notice shall also be provided to the Securities Depositories and the Information Services.

Section 3.6. Effect of Notice and Availability of Redemption Price. Notice of redemption having been duly given as aforesaid, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption: (1) the Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Indenture, anything in this Indenture or in the Bonds to the contrary notwithstanding; (2) upon presentation and surrender thereof at the office of the Paying Agent, such Bonds shall be redeemed at the redemption price; (3) from and after the Redemption Date, the Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or portions thereof shall cease to accrue interest; and (4) from and after the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of this Indenture or to any other rights, except with respect to payment of the redemption price and interest accrued to the Redemption Date from the amounts so made available.

ARTICLE IV

FUNDS AND ACCOUNTS

Section 4.1. Establishment of Funds and Accounts. The following funds and accounts are hereby created and established and shall be maintained by the Fiscal Agent for the administration and control of the proceeds of the Bonds, the Assessments and any related moneys:

(a) County Improvement District No. 2661-M Limited Obligation Improvement Bonds Improvement Fund (the "Improvement Fund");

(b) County Improvement District No. 2661-M Limited Obligation Improvement Bonds Debt Service Fund (the "Debt Service Fund"), within which there shall be established (A) the Payment Account (the "Payment Account"); and (B) the Prepayment Account (the "Prepayment Account");

(c) County Improvement District No. 2661-M Limited Obligation Improvement Bonds Reserve Fund (the "Reserve Fund"); and

(d) County Improvement District No. 2661-M Limited Obligation Improvement Bonds Costs of Issuance Fund (the “Costs of Issuance Fund”).

The funds and accounts established herein may be subdivided into accounts and sub-accounts, as applicable, to perform the necessary rebate calculations or to administer the funds as provided in this Indenture.

Section 4.2. Application of Proceeds of the Bonds. On the Closing Date for the Bonds, the proceeds of the sale of the Bonds in the amount of \$_____ shall be paid to the Fiscal Agent and transferred or deposited by the Fiscal Agent as follows:

(a) \$_____ in the account within the Improvement Fund established for the Bonds;

(b) \$_____ in the Reserve Fund, constituting the full amount of the Reserve Requirement; and

(c) \$_____ in the account within the Costs of Issuance Fund established for the Bonds.

Section 4.3. Improvement Fund. (a) The Fiscal Agent hereby agrees to maintain the Improvement Fund and the accounts therein until the completion of the construction and acquisition of the Project. The Fiscal Agent shall establish within the Improvement Fund a Cash Proceeds Account and a Bond Proceeds Account. All moneys on deposit in the Improvement Fund shall be held by or on behalf of the Fiscal Agent in trust and shall be applied for the payment of Project Costs and expenses incidental thereto.

(b) All cash payments of Assessments made by owners of property in the Assessment District prior to the issuance of the Bonds shall be deposited by the Treasurer and held by the Fiscal Agent in the Cash Proceeds Account of the Improvement Fund. All moneys deposited in the Improvement Fund constituting proceeds of the sale of the Bonds, shall be deposited and held by the Fiscal Agent in the Bond Proceeds Account of the Improvement Fund.

(c) Amounts on deposit in the Improvement Fund or in any accounts therein shall be applied by the Fiscal Agent to the payment of Project Costs upon receipt of and in accordance with a properly submitted Payment Request Form in substantially the form of Exhibit B hereto duly executed by an Authorized Representative of the County. The Fiscal Agent shall first apply and expend moneys on deposit in the Bond Proceeds Account. Amounts on deposit in the Cash Proceeds Account shall be applied and expended only if there are no available amounts in the Bond Proceeds Account.

(d) Upon the completion of the Project, the Director of Public Works shall deliver to the Treasurer and the Fiscal Agent a Certificate of Completion. Upon the delivery of such Certificate of Completion, any balance in the Improvement Fund (less the amount of any retention or fees, costs or indemnifications indicated in the Certificate) shall be applied in accordance with Section 8 of the Resolution of Intention.

Section 4.4. Debt Service Fund and Accounts. (a) The Fiscal Agent hereby agrees to maintain the Debt Service Fund (the “Debt Service Fund”) and the accounts therein until all payments of principal of and premium (if any) and interest on the Bonds have been made and all of the Bonds have been paid or redeemed. The Fiscal Agent shall establish within the Debt Service Fund a Payment Account and a Prepayment Account. All sums received by the County in connection with the collection of Assessment Installments, after deduction of the portion of any portion representing the administrative charges to be paid to the County, shall be deposited and held in the Payment Account of the Debt Service Fund.

(b) The Paying Agent shall make payments of interest and principal, respectively, due and payable with respect to Bonds from monies which shall be transferred to it by the Fiscal Agent on or before such date from the Payment Account of the Debt Service Fund on each Interest Payment Date and each Principal Payment Date. In the event of any deficiency in the Payment Account for payment of principal of and interest on the Bonds, the Fiscal Agent shall, to the extent available, transfer amounts from the Reserve Fund to the Payment Account or directly to the Paying Agent in accordance with Section 4.6 hereof for application first to the payment of interest on the Bonds, and then to the payment of principal due on such Bonds and then to the payment of principal due on such Bonds or any portion thereof called for redemption pursuant to Section 3.1 hereof.

On each September 2 beginning on the first Principal Payment Date, all monies in the Payment Account in excess of the amount necessary to make the payments of principal of and interest on the Bonds then due or overdue and payable on such date (assuming all Owners entitled to payment on or before such date take or have taken any and all actions necessary on their part to receive amounts due them) shall be applied as follows:

(i) prior to the filing of the Certificate of Completion, to the Cash Proceeds Account of the Improvement Fund for application in accordance with Section 4.3 hereof; and

(ii) following the filing of the Certificate of Completion, (1) to the Reserve Fund to the extent of any deficiency therein, for application in accordance with Section 4.6 hereof, (2) to the Administrative Expense Fund for application in accordance with Section 4.7 hereof and (3) any remaining amounts to the Prepayment Account of the Debt Service Fund for application to the redemption of the Bonds pursuant to Section 3.1 hereof.

(c) Amounts received from, or on behalf of, any property owner as prepayment of any Assessment shall be deposited by the Fiscal Agent in the Prepayment Account of the Debt Service Fund. The Fiscal Agent shall deposit in the Prepayment Account amounts transferred to such account from the Reserve Fund pursuant to Section 4.6 below. Amounts in the Prepayment Account shall be used to pay the principal of and redemption premium on Bonds the maturities of which shall have been advanced pursuant to Parts 11 or 11.1 of the 1915 Act, codified as Sections 8750 *et seq.* and 8760 *et seq.* of the California Streets and Highways Code. The Paying Agent, at the direction of the Treasurer if the Paying Agent is not the Treasurer, shall advance the maturity of and call Bonds for redemption pursuant to this Indenture and the 1915 Act whenever and to the extent surplus monies are on deposit in the Prepayment Account sufficient to pay the principal of Bonds in integral \$5,000 amounts plus the redemption premium thereon. On or after each Redemption Date, or prior thereto with the

consent of the Treasurer, upon presentation and surrender thereof, the Paying Agent shall pay the principal of and redemption premium on each Bond the maturity of which has been so advanced from the Prepayment Account. Interest accrued on each such Bond to the earlier of the payment date or Redemption Date shall be paid from monies transferred to the Paying Agent on or before such date by the Fiscal Agent from the Payment Account of the Debt Service Fund.

Section 4.5. Costs of Issuance Fund. The Fiscal Agent hereby agrees to maintain the Costs of Issuance Fund and the accounts therein. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Fiscal Agent from time to time to pay the Costs of Issuance upon submission of a Payment Request Form of the County, substantially in the form of Exhibit B hereto, stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the applicable account of the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior disbursement from the applicable account of the Costs of Issuance Fund; in each case together with a statement or invoice for each amount requested thereunder. On or before 180 days following the issuance of the Bonds, the Fiscal Agent shall transfer all amounts (if any) remaining in the Costs of Issuance Fund to the Debt Service Fund.

Section 4.6. Reserve Fund. (a) The Fiscal Agent hereby agrees to maintain and hold in trust a special fund designated the "Reserve Fund" until all payments of principal of and premium (if any) and interest on the Bonds have been made and all Bonds have been paid or redeemed. At the time of issuance of the Bonds, there shall be deposited in the Reserve Fund an amount that will, together with amounts on deposit in the Reserve Fund, equal the Reserve Requirement. There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. The Reserve Requirement shall be calculated upon each payment or prepayment of an Assessment pursuant to Section 8881 and Section 8884 of the 1915 Act. Additional deposits shall be made as provided in the 1915 Act and this Indenture.

The County shall cause the Reserve Fund to be administered in accordance with Part 16 of the 1915 Act; provided that proceeds from redemption or sale of properties, with respect to which payment of delinquent Assessments and interest thereon was made from the Reserve Fund, shall be credited to the Reserve Fund.

(b) Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds (i) in the event of early prepayment of assessments in an amount which shall equal the ratio of the total amount initially provided for the Reserve Fund to the total amount originally assessed in the proceedings for the Bonds said ratio multiplied by the amount of the prepayment, (ii) or in the event that the moneys in the Debt Service Fund are insufficient therefor, and the Fiscal Agent shall withdraw from the Reserve Fund and deposit in the Debt Service Fund moneys necessary for such purpose.

(c) On each September 2, the Fiscal Agent shall transfer to the Reserve Fund any excess amounts in the Payment Account of the Debt Service Fund pursuant to the second paragraph of Section 4.4(b). On each September 2 the Fiscal Agent shall, after making any transfer called for by the preceding sentence, determine whether amounts then on deposit in the

Reserve Fund are less than, equal to or exceed the Reserve Requirement. Any such excess shall, to the extent permitted by law, be applied by the Fiscal Agent as follows:

(i) First, to the Payment Account of the Debt Service Fund to be applied to the payment of principal or interest due on the Bonds; and

(ii) Second, to the Prepayment Account of the Debt Service Fund for application to the redemption of Bonds pursuant to Section 3.1 hereof.

(d) Whenever, after the issuance of the Bonds, an Assessment is prepaid, in whole or in part, as provided in the 1915 Act, the Fiscal Agent, pursuant to a Written Request of the County, shall transfer from the Reserve Fund to the Debt Service Fund an amount, specified in such Written Request, equal to the product of the ratio of the original amount of the Assessment so paid to the original amount of all unpaid Assessments, times the initial Reserve Requirement; provided, however, no such transfer shall be made if after the transfer the amounts in the Reserve Fund then remaining will not equal the Reserve Requirement. The Fiscal Agent may conclusively rely upon the County's determination that the remaining funds equal the Reserve Requirement.

(e) Whenever the balance in the Reserve Fund is sufficient to retire all the Outstanding Bonds, whether by advance retirement or otherwise, collection of the principal and interest on the Assessments shall be discontinued and the Reserve Fund liquidated by the Fiscal Agent in retirement of the Outstanding Bonds, as directed by a Written Request of the County. In the event that the balance in the Reserve Fund at the time of liquidation exceeds the amount required to retire all of the Outstanding Bonds, the excess shall, after payment of amounts due to the Fiscal Agent, be transferred to the County to be used in accordance with the 1915 Act.

(f) All amounts remaining in the Reserve Fund in the year in which the last Assessments become due and payable shall be credited toward said Assessments and transferred to the Debt Service Fund.

Section 4.7. Administrative Expense Fund. (a) The County hereby agrees to maintain the Administrative Expense Fund until all of the Bonds have been paid or retired. All amounts received by the County for Administrative Expenses pursuant to Sections 10204(f) and 10312(b) of the 1913 Act, or otherwise, shall be deposited in the Administrative Expense Fund. The first money received by the Treasurer with respect to each parcel in each fiscal year up to the amount levied pursuant to Section 10312(b) of the 1913 Act shall be deemed in satisfaction of such assessment for Administrative Expenses and shall be transferred to the Fiscal Agent for deposit in the Administrative Expense Fund.

(b) On each June 30 amounts on deposit in the Administrative Expense Fund in excess of the Administrative Expenses expected to be incurred through the next succeeding Fiscal Year may be applied as a credit upon the assessment levied for the upcoming Fiscal Year for Administrative Expenses pursuant the 1913 Act.

(c) Amounts on deposit in the Administrative Expense Fund shall be applied by the Fiscal Agent to the payment of Administrative Expenses upon receipt of and in accordance with properly submitted Payment Request Forms in substantially the form of Exhibit

B attached hereto, duly executed by an Authorized Representative of the County. Administrative Expenses shall be paid directly to the person, corporation or entity entitled to payment hereunder and named as a Payee on the Administrative Expense Payment Request Form. Notwithstanding anything herein to the contrary, the Fiscal Agent may rely on an executed Administrative Expense Payment Request Form as complete authorization for any payments. Any surplus remaining in the Administrative Expense Fund after payment or provision for payment of all Administrative Expenses incurred or expected to be incurred through and including the date of final payment in full of the Bonds may be transferred to the general fund of the County.

Section 4.8. Rebate Fund. (a) In addition to the other funds and accounts created pursuant hereto, the Fiscal Agent shall establish and maintain a fund separate from any other fund or account established and maintained hereunder designated the “Rebate Fund” (the “Rebate Fund”). Within the Rebate Fund, the Fiscal Agent shall maintain such other accounts as it is instructed by the County as shall be necessary in order to comply with the terms and requirements of the Tax Certificate. Absent an Opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bond will not be adversely affected, the County shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. Subject to the transfer provisions provided in subsections (c) and (h) below, all money at any time deposited in the Rebate Fund shall be held by the Fiscal Agent in trust for payment to the United States Treasury, and no other person shall have any rights in or claim to such money. All amounts on deposit in the Rebate Fund for the Bond shall be governed by this Section and the Tax Certificate for the Bond, unless and to the extent that the County delivers to the Fiscal Agent an Opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bond will not be adversely affected if such requirements are not satisfied. The Fiscal Agent shall be deemed conclusively to have complied with such provisions if it follows the directions of the County including supplying all necessary information in the manner provided in the Tax Certificate, shall not be required to take any actions thereunder, in the absence of written directions by the County, and shall have no liability or responsibility to enforce compliance by the County with the terms of the Tax Certificate. The Fiscal Agent shall have no responsibility to make any independent calculations or determinations or to review the County's calculations hereunder.

(b) Within 45 days of the end of each fifth Bond Year (as defined in the Tax Certificate), the County shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations, for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebate Amount”). The County shall not be required to calculate the Rebate Amount, and the Fiscal Agent shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b), with respect to all or a portion of the proceeds of the Bond (including amounts treated as proceeds of the Bond) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said Sections is applicable, (ii) to the extent such proceeds are subject to an election by the County under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure

requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the County shall provide written direction to the Fiscal Agent that the Fiscal Agent shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b). The County shall obtain expert advice as to the Rebate Amount to comply with this Section.

(c) Within 55 days of the end of each fifth Bond Year, upon the written request of the County an amount shall be deposited to the Rebate Fund by the Fiscal Agent from deposits by the County from any Gross Revenues legally available for such purpose (as specified by the County in the aforesaid written Request), if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Amount so calculated in accordance with subsection (b). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written request of the County, the Fiscal Agent shall withdraw the excess from the Rebate Fund and then credit the excess to the Revenue Fund.

(d) The Fiscal Agent shall pay, as directed by request of the County to the United States Treasury, out of amounts in the Rebate Fund, subject to the exceptions contained in subsection (b),

(i) not later than 60 days after the end of (x) the fifth Bond Year, and (y) each applicable fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebate Amount (calculated as of the end of such Bond Year) and all previous rebate payments; and

(ii) not later than 60 days after the payment of all the Bond, an amount equal to 100% of the Rebate Amount calculated as of the date of such payment and any income attributable to the Rebate Amount determined to be due and payable, computed in accordance with Section 1.148-3 of the Treasury Regulations.

(e) In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the County shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due.

(f) In the event that immediately following the calculation required by subsection (b) of this Section, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the Rebate Amount calculated in accordance with said subsection, upon written instructions from the County, the Fiscal Agent shall withdraw the excess from the Rebate Fund and credit such excess to the Sewer Revenue Fund.

(g) Any funds remaining in the Rebate Fund after redemption and payment in full of the Bond and the payments described in subsection (d) above being made may be withdrawn by the Fiscal Agent and remitted to the County and utilized in any manner by the County.

(h) Each payment required to be made pursuant to subsection (d) shall be made to the Internal Revenue Service Center, Ogden, Utah, on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038 T, which shall be completed by the County for execution by the County, or shall be made in such other manner as provided under the Code.

(i) Notwithstanding anything in this Section to the contrary, the obligation the obligation to remit the Rebate Amount to the United States and to comply with the requirements of this Section, Section 5.2 hereof and the Tax Certificate shall survive the defeasance or payment in full of the Bond.

(j) The County shall retain records of all determinations made hereunder until six years after the complete retirement of the Bond.

Section 4.9. Investments. (a) Except for any escrow fund established hereunder (and the accounts therein), all moneys in any of the funds or accounts established pursuant to this Indenture shall be invested by the Fiscal Agent solely in Authorized Investments. All moneys in any escrow fund established hereunder (and the accounts therein) shall be invested by the Fiscal Agent solely in Federal Securities. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Moneys in the Debt Service Fund and the accounts therein shall be invested only in obligations which will by their terms mature on such dates as to ensure the timely payment of principal and interest on the corresponding Bonds as the same become due.

(b) All interest or gain derived from the investment of amounts in any of the funds or accounts hereunder shall be deposited in the fund or account from which such investment was made. The Fiscal Agent shall incur no liability for losses arising from any investments made pursuant to this Section.

(c) For the purpose of determining the amount in any fund or account hereunder, the value of investments credited to such fund or account shall be calculated at the cost thereof, excluding accrued interest and brokerage commissions, if any.

(d) The Fiscal Agent shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer for such funds and accounts or from such funds and accounts. For the purpose of determining at any given time the balance in any fund or account, any such investments constituting a part of such fund and account shall be valued at their amortized cost.

ARTICLE V

COVENANTS

So long as any of the Bonds issued hereunder are outstanding, the County makes the following covenants with the Owners (to be performed by the County or its proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the

Bonds; provided, however, that said covenants do not require the County to expend any funds other than the Assessments.

Section 5.1. Compliance with Indenture. The County will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture required to be observed or performed by it.

Section 5.2. Tax Covenants. Notwithstanding any other provision of this Indenture, absent an Opinion of Bond Counsel that the exclusion from gross income of interest on the Bond will not be adversely affected for federal income tax purposes, the County covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) The County will not take or omit to take any action or make any use of the proceeds of the Bond or of any other moneys or property which would cause the Bond to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) The County will make no use of the proceeds of the Bond or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Bond to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) The County will make no use of the proceeds of the Bond or take or omit to take any action that would cause the Bond to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) The County will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(e) The County will take no action inconsistent with its expectations stated in any Tax Certificate executed with respect to the Bond and will comply with the covenants and requirements stated therein and incorporated by reference herein. In furtherance of the foregoing tax covenants of this Section 5.2, the County will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Bond.

Section 5.3. General. The County shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the County under the provisions of this Indenture. The County warrants that upon the date of execution and delivery of the Bonds, all conditions, acts and things required by law and this Indenture to exist, to have happened and to have been performed precedent to and in the execution and delivery of such Bonds do exist, have happened and have been performed and the execution and delivery of the Bonds shall comply in all respects with the applicable laws of the State.

Section 5.4. Punctual Payment. The County shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent

and meaning thereof, but only out of Assessments and other moneys pledged for such payment as provided in this Indenture and received by the County or the Fiscal Agent hereunder.

Section 5.5. Extension of Payment of Bonds. The County shall not directly or indirectly extend the maturity dates of the Bonds or the time of payment of interest with respect thereto. Nothing herein shall be deemed to limit the right of the County to issue any securities for the purpose of providing funds for the redemption of the Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

Section 5.6. Protection of Rights. The County will preserve and protect the security of the Bonds and the rights of the Owners against all claims and demands of all persons, and will faithfully perform and abide by all of the covenants, undertakings and provisions contained in this Indenture or in any Bond issued pursuant to this Indenture and will contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the County that (i) the 1913 Act or 1915 Act is unconstitutional, (ii) the Assessments are invalid, or (iii) the Assessments cannot be applied by the County to pay debt service on the Bonds, (b) any other action affecting the validity of the Bonds or diluting the security therefor, or (c) any assertion by the United States of America or any department or agency thereof or any other person that the interest received by the Bondholders is includable in gross income for federal income tax purposes, to the extent there are Assessments available for such purposes.

Section 5.7. Completion of Project. The County shall diligently carry out and continue to completion with all practical dispatch the construction or acquisition of the Project in accordance with the 1913 Act and 1915 Act, but only to the extent of available Assessments, and will not amend the Project in any manner which would substantially impair the security of the Bonds or the rights of the Owners.

Section 5.8. Against Encumbrances. The County will not encumber, pledge or place any charge or lien upon any of the Assessments or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Indenture.

Section 5.9. Deferral of Assessments. The County will refrain from directly or indirectly extending or deferring the payment of any Assessment Installment.

Section 5.10. Accounting Records and Statements. The County will keep or cause to be kept proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, deposit and disbursement of the Assessment Installments, and such accounting records shall be available for inspection upon five (5) business days' written notice by any Owner or such Owner's agent duly authorized in writing at reasonable hours and under reasonable conditions.

Section 5.11. Covenant to Foreclose. (a) The County will initiate procedures to determine or cause to be determined if any Assessment was not paid when due during the fiscal year ended the prior June 30. If any such assessment was not paid and if the balance in the Reserve Fund is less than the Reserve Requirement, the County shall[, upon the written request

of the Owners pursuant to Section 8.2(b) hereof, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner, and if the delinquency remains uncured within 90 days of such notice,] order and cause to be commenced, and thereafter prosecute to completion pursuant to Section 8830 *et seq.* of the California Streets and Highways Code, judicial foreclosure proceedings upon the lien of delinquent unpaid assessments [as necessary or desirable to result in assessment revenues sufficient to pay any delinquent principal of or interest on the Bonds and satisfy the Reserve Requirement]. Upon the redemption or sale of the real property responsible for such delinquent Assessment Installments, or resale as provided below, the County shall deposit to the Reserve Fund, the amount of any delinquency advanced therefrom to the Debt Service Fund for payment of interest on or principal of Bonds.

(b) In the event that real property with an Assessment is neither redeemed by the owner thereof nor sold to a third party purchaser at such foreclosure sale, the County may, but shall not be obligated to, cause a credit bid on behalf of and in the name of the County to be entered in the amount due the County and shall cause a sheriff's deed for said real property to be executed in the name of the County. The proceeds from any resale of such real property on which there is an Assessment shall be applied in the following order: (i) to make any past due payments of principal of or interest on the Bonds, (ii) to restore the Reserve Fund to the Reserve Requirement, (iii) to the payment of any continuing costs of the Bonds, and (iv) for the redemption of Bonds pursuant to Section 3.1 hereof with credit for such redemption credited pro rata against all Assessments.

(c) In the event that the Treasurer and the County make the determinations described in the Sections 8770-8772 of the 1915 Act in connection with the prospects of an ultimate loss accruing to the bondholders, the County, the Treasurer and the Fiscal Agent shall take the 1913 Actions required by Sections 8770-8784 of said Act and Owners of Bonds shall be deemed to have consented to do such things as are required by such Sections of Owners of Bonds.

Section 5.12. Further Assurances. The County will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of its duties under this Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

ARTICLE VI

PAYING AGENT AND FISCAL AGENT

Section 6.1. Paying Agent and Fiscal Agent. The County hereby appoints the Treasurer of the County, or his designated agents, as the Paying Agent and the Auditor, or his designated agents, as the Fiscal Agent for the Bonds.

The Paying Agent is hereby authorized to and shall mail interest payments to the Owners, select Bonds for redemption, give notice of redemption and maintain the Bond Register. The Paying Agent is hereby authorized to and shall pay, from funds on deposit for such purposes hereunder, the principal of and premium, if any, on the Bonds when the same are duly presented

to it for payment at maturity or on call and redemption, provide for the registration of transfer and exchange of Bonds presented to it for such purposes, provide for the cancellation of Bonds all as provided in this Indenture, and provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in this Indenture. The Paying Agent shall keep accurate records of all Bonds paid and discharged by it.

The Fiscal Agent is also authorized to and shall maintain and administer funds and accounts established pursuant to Section 4.1 hereof. The Fiscal Agent shall keep accurate records of all funds administered by it. The County further authorizes and designates the Auditor to perform those functions of the Fiscal Agent set forth herein which, pursuant to the 1913 Act, the 1915 Act and the provisions incorporated therein by reference, are to be performed by the treasurer.

Each of the initially appointed Paying Agent and Fiscal Agent may contract with any third party to perform any or all of their obligations and duties under this Indenture. The Paying Agent and Fiscal Agent may each be removed by the County and a successor or successors may be appointed. So long as any Bonds are Outstanding and unpaid, the Paying Agent, the Fiscal Agent and any successor or successors thereto designated by the County shall continue to be Paying Agent and Fiscal Agent, respectively, of the County for all of said purposes until the designation of a successor or successors.

Section 6.2. Liability of Paying Agent and Fiscal Agent. The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds shall be taken as statements, promises, covenants and agreements of the County, and the Paying Agent and the Fiscal Agent assume no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of this Indenture or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations set forth herein or in the Bonds or in the certificate of authentication and registration assigned to or imposed upon the Paying Agent or the Fiscal Agent, as applicable. The Paying Agent shall be under no responsibility or duty with respect to the issuance of the Bonds for value. Neither the Paying Agent nor the Fiscal Agent shall be liable in connection with the performance of their respective duties hereunder, except for their respective negligence or default.

Section 6.3. Compensation. The County shall pay, from the Administrative Expense Fund, to the Fiscal Agent and the Paying Agent from time to time reasonable compensation for all services rendered under this Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Indenture. Other than funds on deposit in the Administrative Expense Fund, in no event shall the County be required to expend its own funds hereunder.

ARTICLE VII

SUPPLEMENTAL INDENTURES

Section 7.1. Supplemental Indenture Without Owner Consent. The County may from time to time, and at any time, without notice to or consent of any of the Owners enter

into such indentures or agreements supplemental hereto as shall not be inconsistent with the terms and provisions hereof (which supplemental indentures or agreements shall thereafter form a part hereof) for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Indenture or in any supplemental indenture, provided that such action shall not adversely affect the interests of the Owners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the County contained in this Indenture other covenants, agreements, limitations and restrictions to be observed by the County which are not contrary to or inconsistent with this Indenture as theretofore in effect; and

(c) to modify, alter, amend or supplement this Indenture in any other respect which is not materially adverse to the interests of the Owners of Bonds Outstanding hereunder.

Section 7.2. Supplemental Indentures with Owner Consent. Except as provided in Section 7.1, the Owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the execution of such supplemental indentures as shall be deemed necessary or desirable for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture or agreement; provided, however, that nothing herein shall permit, or be construed as permitting, (a) an extension of the scheduled date of the principal payment of any Bond, or the payment date of interest on, any Bond without the consent of the Owner of such Bond, (b) a reduction in the principal amount of, or redemption price of, any Bond or the rate of interest thereon without the consent of the Owner of such Bond, (c) a reduction in the percentage of Bonds the Owners of which are required to consent to such supplemental indenture, without the consent of the Owners of all Bonds then Outstanding. Except as provided in Section 7.1(d) hereof, in no event may a modification or amendment provide for the issuance of additional bonds, notes or other evidences of indebtedness payable out of the Assessments.

Section 7.3. Notice of Supplemental Indenture to Owners. If at any time the parties hereto shall desire to enter into an indenture supplemental hereto, which pursuant to the terms of Section 7.2 shall require the consent of the Owners, the County shall cause notice of the proposed supplemental indenture to be mailed, postage prepaid, to all Owners at their addresses as they appear in the Registration Books. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that a copy thereof is on file at the office of the County for inspection by all Owners. The failure of any Owner to receive such notice shall not affect the validity of such supplemental indenture when consented to and approved as in Section 7.2 provided. Whenever at any time within one year after the date of the first mailing of such notice, the County shall receive an instrument or instruments purporting to be executed by the Owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplemental indenture described in such notice, and shall specifically consent to and approve it substantially in the form of the copy thereof referred to in such notice as on file with the County, such proposed

supplemental indenture, when duly executed by the County, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of the requisite aggregate principal amount of the Bonds have consented to the adoption of any supplemental indenture, Bonds which are owned by the County, or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the County, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the execution and delivery of any indenture supplemental hereto and the receipt of consent to any such supplemental indenture from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required, this Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the County, the Fiscal Agent, the Paying Agent and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

ARTICLE VIII

DEFAULT

Section 8.1. Events of Default. Any one or more of the following events shall constitute an “Event of Default”:

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(c) Default by the County in the observance of any of the agreements, conditions or covenants on its part in this Indenture or in the Bonds contained (other than a payment default referred to in subparagraphs (a) and (b) above), and the continuation of such default for a period of 60 days after the County shall have been given notice in writing of such default by any Owner; provided that if within 60 days the County has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated.

Section 8.2. Remedies on Default. (a) If any installment of principal or interest on any Bond is not paid when due, the owner of such Bond shall have the right to exercise such rights and remedies as are provided to such owner under the Contractual Assessment Law or under other applicable law.

(b) In the event the County fails to take any action to eliminate an Event of Default under Section 8.1 hereof, the Owners of not less than sixty percent (60%) in aggregate principal amount of Outstanding Bonds may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under this Indenture, but only if such Owners have first made written request of the County, after the right to exercise

such powers or right of action shall have occurred, and shall have afforded the County a reasonable opportunity either to proceed to exercise the powers granted herein or granted under law or to institute such action, suit or proceeding in its name and unless also, the County shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the County shall have refused or neglected to comply with such request within a reasonable time. Any moneys recovered in such suit, action, mandamus or other proceedings shall be applied first to the payment of the reasonable costs and expenses of the Owners in bringing such suit, action, mandamus or other proceeding, including reasonable compensation to their agents and attorney.

(c) The principal of the Bonds shall not be subject to acceleration.

Section 8.3. Remedies Not Exclusive; Non-Waiver. No remedy conferred hereby upon any Owner is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the 1915 Act, the Contractual Assessment Law, or any other law of the State. No waiver of any default or breach of duty or contract by any Owner shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Owners may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and the Owner shall prevail, said Owner shall be entitled to receive reimbursement for reasonable costs, expenses, outlays and attorney's fees and should said suit, action or proceeding be abandoned, or be determined adversely to the Owners then, and in every such case, the County and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 8.4. Limited Liability of the County to the Owners; No Liability of the County. Except for the collection of the Assessments and the observance and performance of the other conditions, covenants and terms contained herein or in the 1915 Act or the Contractual Assessment Law required to be observed or performed by it, the County shall not have any obligation or liability to the Owners with respect to this Indenture or the preparation, authentication, delivery, transfer, exchange or cancellation of the Bonds. The County has determined that no funds of the County will be available to pay principal of, premium, if any, or interest on the Bonds. The County has determined that pursuant to the Contractual Assessment Law, the County will not obligate itself to advance available funds from the County's treasury to cure any deficiency which may occur in the Debt Service Fund.

ARTICLE IX

MISCELLANEOUS

Section 9.1. Defeasance. If all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest with respect to all Bonds then Outstanding, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, at or before maturity, an amount which, together with the amounts then on deposit in the corresponding account of the Debt Service Fund, is fully sufficient to pay the principal of and redemption premium (if any) and interest on all Bonds then Outstanding as and when the same shall become due and payable or, in the event of redemption thereof, before their respective Maturity Dates; or

(c) by depositing with the Fiscal Agent Federal Securities in such amount as the County shall determine, as verified by a nationally recognized Independent Public Accountant, will, together with the interest to accrue thereon and moneys then on deposit in the corresponding account of the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge the principal of, and premium (if any) and interest on all Bonds then Outstanding as and when the same shall become due and payable;

then, at the election of the County, and notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the County under this Indenture with respect to all Outstanding Bonds shall cease and terminate, except for (i) the obligation of the Treasurer to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid, all sums due thereon, and (ii) the County's obligations under Section 5.4. Any funds held by the Fiscal Agent in such account of the Debt Service Fund, at the time of receipt of such notice from the County, which are not required for the purpose above mentioned, shall be transferred to the County.

Section 9.2. Cancellation of Bonds. All Bonds surrendered to the Fiscal Agent for payment upon maturity or redemption shall upon payment therefor be canceled immediately and forthwith transmitted to or upon the order of the County. All of the canceled Bonds shall be transferred to and shall remain in the custody of the Fiscal Agent until destroyed by the Fiscal Agent pursuant to due authorization.

Section 9.3. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Indenture to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds shall be sufficient for the purposes of this Indenture (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his or her authority.

(b) As to any Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond and the interest thereon to the extent of the sum or sums so paid. The Fiscal Agent shall not be affected by any notice to the contrary.

Nothing in this Indenture shall be construed as limiting the Fiscal Agent to such proof, it being intended that the Fiscal Agent may accept any other evidence of the matters herein stated which the Fiscal Agent may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Fiscal Agent in pursuance of such request or consent.

Section 9.4. Provisions Constitute Contract. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the County and the Owners from time to time of the Bonds; and the pledge made in this Indenture and the covenants and agreements herein set forth to be performed on behalf of the County shall be for the equal benefit, protection and security of the owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by this Indenture.

Section 9.5. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Indenture is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period after such date.

Section 9.6. Disqualified Bonds. In the event of a later transfer of the Bonds in accordance with Section 2.6 hereof, in determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the County shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Fiscal Agent shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Fiscal Agent knows to be so owned or held shall be disregarded.

Section 9.7. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Indenture and the Bonds issued pursuant hereto shall remain valid and the Owners shall

retain all valid rights and benefits accorded to them under this Indenture and the Constitution and laws of the State.

Section 9.8. Notice. Any notice, demand, direction, request or other instrument authorized or required by this Indenture to be given to or filed with the County, the Paying Agent or the Fiscal Agent shall be deemed to have been sufficiently given or filed for all purposes of this Indenture if and when delivered to or sent by certified mail, return receipt requested to:

County: County of Los Angeles
500 West Temple Street, Room 437
Los Angeles, California
Attention: Treasurer and Tax Collector

Paying Agent: County of Los Angeles
500 West Temple Street, Room 437
Los Angeles, California
Attention: Treasurer and Tax Collector

Fiscal Agent: County of Los Angeles
500 West Temple Street, Room 603
Los Angeles, California
Attention: Auditor-Controller

All documents received by the Fiscal Agent or the Paying Agent under the provisions of this Indenture shall be retained in its possession, subject at all reasonable times to the inspection of the County, any Owner, and the agents and representatives thereof.

Section 9.9. No Personal Liability. The County and the officer, agent or employee thereof shall not be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing herein contained shall relieve any such entity, officer, agent or employee from the performance of any official duty provided by law.

Section 9.10. Employment of Agents by the County. In order to perform its duties and obligations hereunder, the County may employ such persons or entities as it deems necessary or advisable. The County shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

Section 9.11. Counterparts. This Indenture may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

Section 9.12. Headings. Any headings preceding the texts of the several Articles hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

Section 9.13. Governing Law. All provisions of this Indenture are to be governed by the laws of the State.

IN WITNESS WHEREOF, the parties have executed this Indenture effective the date first above written.

COUNTY OF LOS ANGELES

By: _____
Mayor of the Board of Supervisors

ATTEST:

PATRICK OGAWA
Acting Executive Officer-Clerk
of the Board of Supervisors

By: _____
Deputy

TREASURER AND TAX COLLECTOR OF THE
COUNTY OF LOS ANGELES

By: _____
Joseph Kelly

APPROVED AS TO FORM:

MARK J. SALADINO
COUNTY COUNSEL

AUDITOR-CONTROLLER OF THE COUNTY
OF LOS ANGELES

By: _____
Principal Deputy County Counsel

By: _____
John Naimo

EXHIBIT A

FORM OF BOND

[Unless this Bond is presented by an authorized representative of DTC (as defined in the indenture) to the trustee for registration of transfer, exchange or payment, and any Bond executed and delivered is registered in the name of Cede & Co. Or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. Or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co. has an interest herein.]

United States of America
State of California
County of Los Angeles

NUMBER [1]

\$(Principal Amount)

COUNTY OF LOS ANGELES
COUNTY IMPROVEMENT DISTRICT NO. 2661-M
(CARROLL DRIVE SEWER PROJECT)
LIMITED OBLIGATION IMPROVEMENT BOND
SERIES 2015

<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>INTEREST RATE</u>	<u>CUSIP NUMBER</u>
September 2, 20__	March __, 2015	____%	

REGISTERED OWNER:

PRINCIPAL AMOUNT: \$

Under and by virtue of Chapter 29 of Part 3 of Division 7 of the Streets and Highways Code of the State of California (the "Contractual Assessment Law") and the Improvement Bond Act of 1915, Division 10 (commencing with Section 8500) of the Streets and Highways Code (the "1915 Act"), the County of Los Angeles, State of California (the "County") hereby promises to pay (but only out of the Assessments as such term is defined in the Indenture, dated as of March 1, 2015 (the "Indenture") by and among the County, the Treasurer and Tax Collector of the County, as paying agent (the "Paying Agent") to the registered owner hereof or registered assigns (the "Owner"), and the Auditor-Controller of the County, as fiscal agent (the "Fiscal Agent") to the Owner, on the Maturity Date identified above, subject to any right of prior redemption hereinafter mentioned, the principal sum specified above in lawful money of the United States of America, and to pay interest thereon at a rate of interest determined pursuant to a resolution entitled "Resolution of Issuance" means the resolution entitled "Resolution Determining Unpaid Assessments and Authorizing the Issuance and Sale of Bonds" adopted by

the Board of Supervisors on March __, 2015 (the "Resolution of Issuance"), in like money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication and registration of this Bond, unless this Bond is authenticated and registered (i) on an Interest Payment Date, in which event interest shall be payable from such date of authentication and registration, (ii) prior to an Interest Payment Date and after the close of business on the 15th day of the month immediately preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) prior to the close of business on _____ 15, 20__, in which event it shall bear interest from the Bond Date stated above, until payment of such principal sum shall have been discharged; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on that Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

The principal of this Bond shall be payable on the Maturity Date. Interest on this Bond shall be payable semiannually on March 2 and September 2 (each an "Interest Payment Date") in each year commencing on [First Interest Payment Date]. Principal of and interest on this Bond shall be paid by check of the Paying Agent mailed on or before the Interest Payment Date by first class mail, postage prepaid, or upon satisfaction of certain conditions specified in the Indenture, by wire transfer or any other method acceptable to the Owner, to the person whose name appears in the Registrations Books as the Owner of such Bond as of the 15th day of the calendar month immediately preceding each Interest Payment Date, to the address of that person on the Registration Books, provided that the payment of principal of the Bond on the Maturity Date and the payment of the principal of the Bond and any premium due upon the redemption thereof shall be payable upon presentation and surrender thereof at maturity or earlier redemption at the office of the Paying Agent in Los Angeles, California.

This Bond shall bear interest until the principal amount has been paid; provided, however, that if at the Maturity Date, or if at the redemption date of any principal amount of this Bond which has been duly called for redemption as provided in the Indenture, funds are available for the payment or redemption thereof in full accordance with the terms of the Indenture, such principal amount shall then cease to bear interest.

This Bond is subject to redemption as set forth in the Indenture.

This Bond is issued by the County under the 1913 Act, the 1915 Act and the Indenture for the purpose of funding Project Costs in connection with the County Improvement District No. 2661-M established by the Board of Supervisors of the County pursuant to the 1913 Act. The obligation of the County to make payments of principal and interest on this Bond is a limited obligation secured only as set forth in the Indenture.

This Bond is secured by the Assessments, including the moneys in the Debt Service Fund, and is payable exclusively out of such account. This Bond and interest thereon are not secured by any other funds of the County. Neither the credit nor the taxing power of the County is pledged for the payment of this Bond or the interest thereon, and no Owner of this Bond may compel the exercise of any taxing power by the County or force the forfeiture of any of its properties. The principal of, and premium (if any) and interest on this Bond are not a debt of the County nor a legal or equitable pledge, charge, lien or encumbrance upon any of the

properties of the County, or upon any of their income, receipts or revenues, other than the Assessments and the funds described in the Indenture.

This Bond is transferable by the Owner hereof, in person or by the Owner's attorney duly authorized in writing, at the office of the Paying Agent, subject to the terms and conditions provided in the Indenture, including the payment of certain charges, if any, upon exchange, transfer, surrender or cancellation of this Bond. Upon transfer, a new registered Bond or Bonds, of any authorized denomination or denominations, of the same maturity, and for the same aggregate principal amount, will be issued to the transferee in exchange therefor.

The Paying Agent shall not be required to exchange or register the transfer of Bonds during the 15 days immediately preceding any Interest Payment Date or of any Bonds selected for redemption in advance of maturity.

The Paying Agent and the County may treat the Owner hereof as the absolute owner for all purposes, and the Paying Agent and the County shall not be affected by any notice to the contrary.

This Bond or any portion of it in the amount of \$5,000 or any integral multiple thereof, or in such other denomination or denominations as determined by the Treasurer in accordance with the Indenture, is subject to redemption and payment prior to maturity as set forth in the Indenture.

This Bond shall not be entitled to any benefit under the 1915 Act or the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Paying Agent.

[The remainder of this page is intentionally left blank.]

THE COUNTY HAS CERTIFIED, RECITED AND DECLARED that all things, conditions and acts required by the Constitution and laws of the State of California and the Indenture to exist, to have happened and to have been performed precedent to and in the execution, authentication and the delivery of this Bond, do exist, have happened and have been performed in due time, form and manner, as required by law and the Indenture.

IN WITNESS WHEREOF, the County has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signatures of its Treasurer and Executive Officer of the Clerk of the Board of Supervisors, all as of the dated date identified above.

Executive Officer-Clerk of the Board of
Supervisors of the County of Los Angeles

Treasurer and Tax Collector of the
County of Los Angeles

PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture which has been authenticated and registered on the ____ day of _____, 20__.

TREASURER AND TAX COLLECTOR OF THE
COUNTY, as Paying Agent

By: _____

For value received the undersigned do(es) hereby sell, assign and transfer unto

_____,
whose tax identification number is _____, the within-mentioned registered Bond and hereby
irrevocably constitute(s) and appoint(s) _____ attorney
to transfer the same on the books of the Fiscal Agent with full power of substitution in the
premises.

Dated: _____

Signature guaranteed:

NOTE: The signature(s) on this Assignment
must correspond with the name(s) as written on
the face of the within Bond in every particular
without alteration or enlargement or any change
whatsoever.

NOTICE. Signature must be guaranteed by a
member of an institution which is a participant
in the Securities Transfer Agent Medallion
Program i STAMP or other similar program.

EXHIBIT B

**(LETTERHEAD OF THE APPLICABLE DEPARTMENT OF THE
COUNTY OF LOS ANGELES)**

PAYMENT REQUEST FORM

Auditor-Controller, as Fiscal Agent
500 West Temple Street, Room 603
Los Angeles, CA 90012

SUBJECT: REQUEST FOR PAYMENT OF [COSTS OF ISSUANCE/
PROJECT COSTS] COUNTY OF LOS ANGELES
COUNTY IMPROVEMENT DISTRICT NO. 2661-M
LIMITED OBLIGATION IMPROVEMENT BONDS, SERIES 2015

The Fiscal Agent is hereby requested to pay from the [Costs of Issuance Fund/Improvement Fund] established pursuant to the Indenture, dated as of March 1, 2015, executed by and among the County of Los Angeles, the Treasurer and Tax Collector of the County of Los Angeles, as Paying Agent, and the Auditor-Controller of the County of Los Angeles, as Fiscal Agent, to the person, corporation or other entity designated below as Payee, the sum set forth below such designation, in payment of the [Costs of Issuance/Project Costs attributable to the Project] described below. The amount shown below is due and payable under a purchase order, contract or other authorization with respect to the [Costs of Issuance/Project Costs attributable to the Project] described below and has not formed the basis of any prior request for payment.

- ☐ Progress Payment
- ☐ Full/Final Payment
- ☐ Cost of Issuance Payment

Payee:

Address:

Amount: \$ _____

Description:

Description of Costs of Issuance or portion thereof accepted by the County of Los Angeles and authorized to be paid to the Payee.

Executed by the Authorized
Representative of the County
of Los Angeles

Signature: _____

Name: _____

Dated: _____

Title: _____

Payment Request No. _____

Attachment: (Attach duplicate original of Payee's statement(s) or invoice(s))

\$ _____
**COUNTY OF LOS ANGELES
COUNTY IMPROVEMENT DISTRICT NO. 2661-M
(CARROLL DRIVE SEWER PROJECT)
LIMITED OBLIGATION IMPROVEMENT BONDS
SERIES 2015**

BOND PURCHASE AGREEMENT

_____, 2015

Board of Supervisors
County of Los Angeles, California
Los Angeles, California

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), offers to enter into this Bond Purchase Agreement (the “Bond Purchase Agreement”) with the County of Los Angeles, a political subdivision of the State of California (the “County”), which, upon acceptance of this offer by the County, will be binding upon the County and the Underwriter. This offer is made subject to receipt by the Underwriter of the documents referred to in Section 7 hereof and to acceptance by the County by execution and delivery of this Bond Purchase Agreement to the Underwriter at or prior to 8:00 P.M., California time, on the date first above written, and if not so accepted will be subject to withdrawal by the Underwriter upon notice delivered to the County at any time prior to the acceptance hereof by the County. Capitalized terms in this Bond Purchase Agreement that are not otherwise defined herein shall have the meanings given to such terms in the Indenture.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties, covenants and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the County and the County hereby agrees to deliver to the Underwriter, all (but not less than all), in the manner provided herein, of the \$_____ aggregate principal amount of the County of Los Angeles County Improvement District No. 2661-M (Carroll Drive Sewer Project) Limited Obligation Improvement Bonds, Series 2015 (the “Bonds”) at the purchase price of \$_____ (being an amount equal to the par amount of the Bonds (\$_____) [less] [plus] net original issue [discount][premium] of \$_____, and less an Underwriter’s discount of \$_____. The Bonds are being issued pursuant to the Indenture, dated as of March 1, 2015 (the “Indenture”), by and among the County, the County Auditor-Controller, as fiscal agent (the “Fiscal Agent”), and the County Treasurer and Tax Collector (the “Treasurer”). The Bonds shall be delivered in fully registered form and shall be dated their date of delivery and mature on the date and in the principal amount, and interest with respect thereto shall be computed at the rate, all as shown in Exhibit A hereto. Interest on the Bonds will be payable semiannually each March 2 and September 2, commencing on [_____]. The Bonds shall be subject to redemption as provided in the Indenture.

2. The Bonds. The Bonds shall be issued in accordance with The Improvement Bond Act of 1915, being Division 10 of the Streets and Highways Code of the State of California (the “1915 Act”), and a Resolution of the County adopted on March ___, 2015 (the “County Resolution”).

The Bonds shall be secured by, and represent, unpaid benefit assessments (the “Assessments”) levied upon real property within the Assessment District and other amounts pledged therefor pursuant to the Indenture. Proceeds of the Bonds will also be used to finance the Project (as described in the Preliminary Official Statement), fund capitalized interest, fund a Reserve Fund and pay certain costs of issuance incurred in connection with the issuance of the Bonds.

3. Preliminary Official Statement; Official Statement. (a) The County agrees to deliver to the Underwriter as many copies of the Official Statement dated the date of this Bond Purchase Agreement, relating to the Bonds (as supplemented and amended from time to time, the “Final Official Statement”) as the Underwriter may reasonably request. The County agrees to deliver such Final Official Statement within seven (7) business days after the execution of this this Bond Purchase Agreement, and in sufficient time to accompany any confirmation that requires payment from a customer. The Underwriter agrees to deposit the Final Official Statement with a qualified national registered municipal securities information repository on or as soon as practicable after the Closing Date (as defined in Section 5 below). The Underwriter agrees to deliver a copy of the Final Official Statement to each of its customers purchasing Bonds no later than the settlement date of the transaction.

(b) The County has authorized and approved the Preliminary Official Statement dated _____, 2015 (the “Preliminary Official Statement”) and the Final Official Statement dated the date of this Bond Purchase Agreement, and consents to their distribution and use by the Underwriter.

4. Representations, Warranties and Agreements of the County. The County hereby represents, warrants and agrees with the Underwriter as follows:

(a) the County is, and will be on the date of Closing, a political subdivision of the State of California (the “State”) organized and operating pursuant to the Constitution and laws of the State with the full power and authority to adopt the County Resolution, execute and deliver the Legal Documents to be executed by it and to own its properties and to carry on its business as presently conducted;

(b) by official action of the County, prior to or concurrently with the acceptance hereof, the County has adopted the County Resolution and duly authorized and approved the execution and delivery of, and the performance by the County of the obligations on its part contained in the Indenture and this Bond Purchase Agreement (collectively, the “Legal Documents”) to be executed by it and the consummation by it of all other transactions contemplated by the Legal Documents;

(c) the Legal Documents will have been, as of the date of Closing, duly authorized, executed and delivered by the County and constitute legal, valid and binding agreements of the County, enforceable in accordance with their respective terms, except as

enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought;

(d) to the best knowledge of the County, the execution and delivery of the Legal Documents by the County and compliance with the provisions on the County's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County is otherwise subject;

(e) to the best knowledge of the County, the County is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject, which breach or default would materially adversely affect the County's ability to enter into or perform its obligations under the Legal Documents to be executed by it, and, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default;

(f) to the best knowledge of the County, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending in which service of process has been completed against the County or threatened against the County in any material respect affecting the existence of the County or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the adoption of the County Resolution or the levying of the assessments under the Assessment Contract or in any way contesting or affecting the validity or enforceability of the 1915 Act, the Contractual Assessment Law or the Legal Documents or contesting the powers of the County or its authority to enter into, adopt or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Legal Documents to be executed by the County or that could have a material adverse impact upon the ability of the County to enter into or perform its obligations under such documents or in any way contesting the existence or powers of the County;

(g) the County acknowledges and agrees that the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the County and the Underwriter, the Underwriter is acting solely as a principal in connection with the matters contemplated by and all communications under this Bond Purchase Agreement, and is not acting as the agent, fiduciary, or Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended) of the County and its advisor in connection with the matters contemplated by this Bond Purchase Agreement, and in connection with the purchase and sale of the Bonds, the County has consulted its own advisors to the extent it deems appropriate;

(h) the County will furnish such information, execute such instruments and take such other actions in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the blue sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of

such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the County be required to qualify to do business or consent to service of process in any jurisdiction without its approval;

(i) the information contained in the Preliminary Official Statement was, as of the date thereof, and is, as of the date hereof (excluding any information permitted to be omitted pursuant to Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12")), and the information contained in the Official Statement will be, as of the Closing Date, true and correct in all material respects and such information did not, does not and will not, as applicable, contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) if between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the County will notify the Underwriter, and, if in the reasonable opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the County shall cooperate in preparing and furnishing to the Underwriter (at the expense of the County) a reasonable number of copies of an amendment or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter) that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading; provided that, for the purposes of this subsection, between the date hereof and the date that is 25 days after the End of the Underwriting Period for the Bonds, the County will furnish such information with respect to itself as the Underwriter may from time to time reasonably request; provided, further, as used in this Bond Purchase Agreement, the term "End of the Underwriting Period" for the Bonds shall mean the earlier of (i) the date of Closing unless the County shall have been notified in writing to the contrary by the Underwriter on or prior to said date or (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under Rule 15c2-12, provided, however, that the County may treat as the End of the Underwriting Period for the Bonds as the date specified as such in a notice from the Underwriter stating the date that is the End of the Underwriting Period;

(k) if the information contained in the Official Statement is amended or supplemented pursuant to the terms hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the County will further amend or supplement the Official Statement so that the Official Statement, as supplemented or amended (including any financial and statistical data contained therein), will not contain any untrue statement of a material fact or omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(l) except as may be required under blue sky or other securities laws of any state, no consent, approval, authorization or order of any State court or governmental body is required for the consummation by the County of the transactions contemplated by the Official Statement, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Bonds by the Underwriter;

5. Closing. At 8:00 a.m., California time, on _____, 2015, or at such other date and time as shall have been mutually agreed upon by the County and the Underwriter (the "Closing Date"), the County will deliver (i) through the facilities of The Depository Trust Company, the Bonds in definitive form (all Bonds being in book-entry form registered in the name of Cede & Co. and having the CUSIP numbers assigned to them printed thereon), duly executed by the officers of the County as provided in the Indenture, and (ii) to the Underwriter, at the offices of Hawkins Delafield & Wood LLP, Los Angeles, California ("Bond Counsel"), or at such other place as shall be mutually agreed upon by the County and the Underwriter, the other documents herein mentioned; and the Underwriter shall accept such delivery and pay the purchase price of the Bonds in immediately available cleared funds (such delivery and payment being herein referred to as the "Closing").

6. Termination Events. The Underwriter shall have the right to terminate in its discretion the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the County of its election to do so if, after the execution hereof and prior to the Closing:

(a) Legislation shall be enacted by the Congress of the United States or favorably reported out for passage to either House of Congress by any committee of such House, or passed by either House of Congress, or a decision shall have been rendered by a court of the United States or the United States Tax Court, or a ruling shall have been made or a regulation shall have been proposed or made by the Treasury Department of the United States or the Internal Revenue Service, with respect to the federal taxation of interest received on or evidenced by obligations of the general character of the Bonds, which, in the opinion of Bond Counsel has, or will have, the effect of making such interest subject to inclusion in gross income for purposes of federal income taxation, except to the extent such interest shall be includable in such gross income as of the date hereof;

(b) any action shall have been taken by the Securities and Exchange Commission or by a court which would require registration of any security under the Securities Act of 1933, as amended, or qualification of any indenture under the Trust Indenture Act of 1939, as amended, in connection with the public offering of the Bonds, or any action shall have been taken by any court or by any government authority suspending the use of the Official Statement or any amendment or supplement thereto, or any proceeding for that purpose shall have been initiated or threatened in any such court or by any such authority;

(c) (i) the Constitution of the State shall be amended or an amendment shall qualify for the ballot, or (ii) legislation shall be enacted, or (iii) a decision shall have been rendered as to matters of State law, or (iv) any order, ruling or regulation shall have been

issued or proposed by or on behalf of the State by an official, agency or department thereof, affecting the tax status of the County, its property or income, its bonds or notes (including the Bonds) or the interest thereon, which in the reasonable judgment of the Underwriter would make it impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(d) (i) trading of any securities of the County shall have been suspended on any exchange or in any over-the-counter market, (ii) a general banking moratorium by Federal, New York or California authorities or a general suspension of trading on any national securities exchange shall have been declared or a material disruption in commercial banking or securities settlement or clearances services affecting the Bonds shall have occurred, or (iii) a national emergency or war or other crisis shall have been declared by the United States or there shall have occurred an outbreak or escalation in major military hostilities by the United States or any calamity relating to the effective operation of the government or the financial community in the United States which, in the case of any of the events specified in clauses (i) through (iii), either singly or together with any other such event, makes it, in the reasonable judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(e) there shall have occurred any downgrading, or any notice shall have been given of any downgrading, in the rating accorded the Bonds by any “nationally recognized statistical rating organization,” as such term is defined for purposes of Rule 436(g)(2) under the Securities Act of 1933, as amended;

(f) the New York Stock Exchange or other national securities exchange, or any governmental authority shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in the Bonds; or (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers, which, in the case any of the events specified in clauses (i) or (ii), either singly or together with any other such event, makes it, in the reasonable judgment of the Underwriter, impracticable to market the Bonds, including any supplements or amendments thereto;

(g) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission; or

(h) any event or circumstance shall exist that either makes untrue or incorrect in any material respect any statement or information in the Official Statement (other than any statement provided by the Underwriter or pertaining to DTC) or is not reflected in the Official Statement but should be reflected therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event, the County refuses to permit the Official Statement to be supplemented to supply such statement or information.

7. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations, warranties and agreements of the County contained herein, the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the County of its respective obligations herein, both as of the date hereof and as of the date of Closing. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, accept issuance of, and pay for the Bonds shall be conditioned upon the performance by the County of its obligations to be performed herein and the accuracy and delivery of the documents and instruments required to be delivered hereby at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) the representations and warranties of the County contained or incorporated herein shall be true, complete and correct in all material respects at the date hereof and on and as of the date of Closing as if made on the date of Closing;

(b) at the time of the Closing, the Legal Documents shall be in full force and effect as valid and binding agreements between the various parties thereto, and the Legal Documents shall not have been amended, modified or supplemented after the date thereof except as may have been agreed to in writing by the Underwriter, and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby and by the Legal Documents and the County shall have performed its obligations required under or specified in the Legal Documents to be performed at or prior to the Closing;

(c) at the time of the Closing, all official actions of the County relating to the Legal Documents and the Bonds shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material respect from the date hereof except as may have been agreed to in writing by the Underwriter;

(d) at or prior to the time of Closing, the Underwriter shall receive the following documents, in each case reasonably satisfactory in form and substance to the Underwriter and Nossaman LLP ("Underwriter's Counsel"):

(i) executed copies of the Legal Documents;

(ii) the unqualified approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, dated the date of Closing and addressed to the County substantially in the form set forth in Exhibit C to the Official Statement, together with a letter of such counsel, dated the date of Closing and addressed to the Underwriter, to the effect that the foregoing approving legal opinion addressed to the County may be relied upon by the Underwriter to the same extent as if such letter were addressed to them;

(iii) A letter or letters of Bond Counsel addressed to the Underwriter, which provides:

(A) the statements in the Official Statement under the captions "The Bonds" (excluding any and all information relating to The Depository Trust Company and its book-entry system), "Security for the

Bonds” and “Tax Matters,” to the extent they purport to summarize certain provisions of the Bonds and the Indenture and the exclusion from gross income of interest on the Bonds for federal income tax purposes or the exemption of interest on the Bonds for State income tax purposes, fairly and accurately summarize the matters purported to be summarized therein;

(B) assuming due authorization, execution and delivery by all the parties thereto, the Bond Purchase Agreement has each been duly authorized, executed and delivered by the respective parties thereto and constitute legal, valid and binding agreement of the County and are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights and except as their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought; and

(C) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

(iv) an opinion of the County Counsel, as counsel to the County, dated the date of Closing and addressed to the Underwriter to the effect that:

(A) the County is a political subdivision of the State, duly organized and validly existing pursuant to the laws and Constitution of the State, and has full legal right, power and authority to execute and deliver the Legal Documents and the Bonds, and to perform all of its obligations thereunder;

(B) the actions take by the County pursuant to the 1915 Act, including adoption of a resolution of the Board of Supervisors declaring its intention to order the implementation of a contractual assessment program, adoption of a resolution of the Board of Supervisors making certain findings and determinations in connection with and confirming the report of the Director of the Internal Services Department of the County in connection with the establishment of a contractual assessment program to finance the Improvements and confirming assessments to be levied within the parameters of the report, and adoption of the County Resolution (collectively, the “Proceedings”), were duly adopted at meetings and hearings of the Board of Supervisors, which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption and the Proceedings are in full force and effect;

(C) the Legal Documents have been duly authorized, executed and delivered by the County, and, assuming due authorization, execution and delivery by the other respective parties thereto, constitute the legal, valid and binding obligations of the County, enforceable against the County in accordance with their respective terms;

(D) no authorization, approval, consent, or other order of the State or agency of the State other than the Board of Supervisors, is required for the valid authorization, execution and delivery by the County of the Legal Documents or the Bonds;

(E) to the best of County Counsel's knowledge, the County is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject, which breach or default would materially adversely affect the County's ability to enter into or perform its obligations under the Legal Documents, and, to the best of County Counsel's knowledge, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default; and the execution and delivery of the Legal Documents and the Bonds by the County and compliance with the provisions on the County's part contained therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument known to County Counsel after reasonable inquiry to which the County is a party or to which the County is otherwise subject; and

(F) to the best of County Counsel's knowledge, and except as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending in which service of process has been completed against the County or threatened against the County affecting the corporate existence of the County or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or the collection of the assessment installments or the pledge of and lien on the assessment installments, funds and accounts established pursuant to the Indenture or contesting or affecting, as to the County, the validity or enforceability of the 1915 Act, the Contractual Assessment Law, the Bonds or the Legal Documents, or contesting the authority for the issuance of the Bonds, or contesting the powers of the County or any authorization in connection with the adoption of the Proceedings, or the execution and delivery by the County of the Legal Documents, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the 1915 Act or the Contractual Assessment Law as to

the County or the performance by the County of its obligations under and in connection with the Legal Documents;

(v) a certificate of an Authorized Underwriter of the County dated the date of Closing to the effect that the County has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied pursuant to the Legal Documents at or prior to the time of Closing;

(vi) a copy of the County Resolution certified by the Clerk of the Board of Supervisors of the County;

(vii) copy of Notice of Assessment, with the conformed copy of same evidencing recordation in the real property records of the County of Los Angeles to be delivered as soon as possible after the date of Closing;

(viii) a letter from Hawkins Delafield & Wood LLP, as Disclosure Counsel ("Disclosure Counsel"), to the Underwriter, to the effect that, based upon such firm's participation, and information disclosed to such firm in the course of its representation of the County as Disclosure Counsel, considered in light of such firm's understanding of the applicable law and the experience such firm have gained through its practice of law, and subject to the qualifications respecting the scope and nature of such firm's engagement to be set forth in the letter, such firm advises the addresses of the letter, as a matter of fact but not opinion, that, during the course of its engagement as Disclosure Counsel with respect to the Official Statement, no facts came to the attention of the attorneys of the firm rendering legal services in connection with this matter that caused them to believe that the Official Statement, as of the date of the Official Statement or as of the date of delivery of the Bonds, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.;

(ix) specimen bonds;

(x) evidence that Internal Revenue Service Form 8038 has been executed by the County and will be filed with the Internal Revenue Service;

(xi) A non-arbitrage certificate executed by the County in form and substance satisfactory to Bond Counsel;

(xii) a certificate dated the Closing Date from _____ (the "Assessment Engineer") addressed to County and the Underwriter to the effect that (i) the Engineer's Report complies with the requirements of Streets & Highways Code Section 9523 and, in the opinion of the Assessment Engineer, the Assessments, as set forth in the Engineer's Report, comply with Streets & Highways Code Section 9525(a) and (ii) the statements and information contained in the Official Statement under the headings "INTRODUCTION," "THE ASSESSMENT DISTRICT" and APPENDIX B to the Official Statement, insofar as such statements and information were provided by the Assessment Engineer or purport to summarize certain provisions of the Engineer's Report prepared with respect to the Assessment District, do not contain any untrue

statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading and no events or occurrences have been ascertained by the Assessment Engineer or have come to its attention that would substantially change such information set forth in the Official Statement.

(xiii) such additional legal opinions, certificates, instruments and other documents as Bond Counsel or Underwriter's Counsel may reasonably request to evidence compliance by the Fiscal Agent, the County with legal requirements, the truth and accuracy, as of the time of Closing, of the representations contained herein, the lack of any material adverse litigation or proceeding and the due performance or satisfaction by the Fiscal Agent, the County, at or prior to such time of all agreements to be performed and all conditions then to be satisfied.

8. Termination. The Underwriter shall have the right to terminate in its discretion the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the County of its election to do so if, after the execution hereof and prior to the Closing, the purchase of and payment for the Bonds by the Underwriter on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

9. Expenses. (a) The Underwriter shall be under no obligation to pay and the County shall pay or cause to be paid the expenses incident to the performance of their obligations hereunder including, but not limited to, (i) the cost of preparation, printing and delivery of the Indenture and the other Legal Documents; (ii) the costs of preparation, printing and delivery of the Preliminary Official Statement and the Official Statement and any supplements and amendments thereto; (iii) the cost of preparation and printing of the Bonds; (iv) the fees and disbursements of Bond Counsel, Disclosure Counsel and the County Counsel; (v) the fees and disbursements of David Taussig & Associates for its services as assessment consultant to the County; (vi) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the County; (vii) the fees, if any, for bond ratings; and (viii) the fees and disbursements of independent certified public accountants and any other independent auditor of the County.

(b) The Underwriter shall pay only: (i) the cost of preparing the Blue Sky Memorandum; (ii) all advertising expenses and Blue Sky filing fees in connection with the public offering of the Bonds; (iii) the fees and disbursements of Nossaman LLP, as counsel to the Underwriter; (iv) all California Debt and Investment Advisory Commission fees, and (v) all other expenses incurred by the Underwriter in connection with the public offering of the Bonds, including the fees and disbursements of any other counsel retained by them.

10. Notices. Any notice or other communication (other than the acceptance hereof as specified in the first paragraph hereof) to be given under this Bond Purchase Agreement may be given by delivering the same in writing

to the County to:

County of Los Angeles

Treasurer and Tax Collector
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437
Los Angeles, California 90012
Attention: Public Finance

and to the Underwriter:

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94101
Attn: Public Finance

11. Parties in Interest; Survivability of Representations, Warranties and Agreements. This Bond Purchase Agreement is made solely for the benefit of the County and the Underwriter and no other person shall acquire or have any right hereunder or by virtue hereof. All of the County's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriter; (ii) issuance of and payment for the Bonds pursuant to this Bond Purchase Agreement; and (iii) any termination of this Bond Purchase Agreement.

12. Governing Law. The laws of the State shall govern the validity, interpretation and performance of this Bond Purchase Agreement.

13. Entire Agreement. This Bond Purchase Agreement, when accepted by the County in writing as heretofore specified, shall constitute the entire agreement among the County and the Underwriter.

14. Headings. The headings of the paragraphs of this Bond Purchase Agreement are inserted for convenience of reference only and shall not be deemed to be a part hereof.

15. Effectiveness. This Bond Purchase Agreement shall become effective upon the execution and acceptance hereof by an Authorized Representative of the County and shall be valid and enforceable at the time of such acceptance.

16. Counterparts. This Bond Purchase Agreement may be executed in several counterparts, which together shall constitute one and the same instrument.

Very truly yours,

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED**

By: _____
Title: Director

ACCEPTED:

This ____ day of _____, 2015

COUNTY OF LOS ANGELES, CALIFORNIA

By: _____
Joseph Kelly
Treasurer and Tax Collector

Approved as to Form:

Mark J. Saladino
County Counsel

By: _____
Principal Deputy County Counsel

EXHIBIT A

BOND TERMS

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
September 2, 20____	\$	%

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2015

NEW ISSUE

NOT RATED

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the County, under existing statutes, interest on the Bonds is exempt from taxes imposed by the State of California. See “Tax Matters” herein.

\$370,000*

**County of Los Angeles
County Improvement District No. 2661-M
(Carroll Drive Sewer Project)
Limited Obligation Improvement Bonds
Series 2015**

Dated: Date of Delivery

Due: September 2, as shown on the inside cover page

The County of Los Angeles County Improvement District No. 2661-M (Carroll Drive Sewer Project) Limited Obligation Improvement Bonds, Series 2015 (the “Bonds”) are being issued by the County of Los Angeles, California (the “County”) pursuant to the provisions of the Improvement Bond Act of 1915, being Division 10 of the Streets and Highways Code of California (as amended, the “1915 Act”), and the Indenture, dated as of March 1, 2015 (the “Indenture”), by and among the County, the County Auditor-Controller, as fiscal agent (the “Fiscal Agent”), and the County Treasurer and Tax Collector (the “Treasurer”), as paying agent. The proceeds of the Bonds will be used to finance the design and construction of sanitary sewers and related work (the “Project”) located within the unincorporated area of the County in the community of Altadena (the “Assessment District”), fund capitalized interest to September 2, 2015, fund a Reserve Fund and pay costs of issuance incurred in connection with the issuance of the Bonds. The Bonds are secured by and represent unpaid benefit assessments (the “Assessments”) levied upon real property within the Assessment District and are also secured by the other amounts pledged therefor pursuant to the Indenture. Construction of the project, the levy and collection of the Assessments, and the legal proceedings of the County relative thereto are undertaken pursuant to the Municipal Improvement Act of 1913, being California Streets and Highways Code Sections 10000 *et seq.* (as amended, the “1913 Act”), Article XIIIID of the Constitution of the State of California and the Proposition 218 Omnibus Implementation Act.

The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof. The Bonds will be dated their date of delivery and are payable with respect to interest semiannually each March 2 and September 2, commencing on September 2, 2015. The Bonds will be delivered in fully-registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest and redemption premium, if any, on the Bonds will be paid by the Paying Agent to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds. See Appendix D – “The Book-Entry Only System” attached hereto.

The Bonds are special limited obligations of the County and are not payable from the County’s general fund. Assessment Installments of principal and interest sufficient to meet annual debt service on the Bonds are to be included on the regular Los Angeles County tax bills of owners of properties upon which there are Assessments. These Assessment Installments are to be used to pay debt service on the Bonds as they become due. To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent installments, the County will establish a separate Reserve Fund for the Bonds that will be funded with Bond proceeds, as described herein. See “Security for the Bonds” herein.

The Bonds are subject to optional redemption and mandatory sinking fund redemption as more fully described herein. See “The Bonds Redemption” herein.

Neither the credit of the County nor the taxing power of the County, the State or any political subdivision thereof is pledged for the payment of the Bonds or the interest thereon, and, except as provided herein, no Owner of the Bonds may compel the exercise of any taxing power by the County or force the forfeiture of any of their respective property. The principal of, and premium (if any) and interest on the Bonds are not a debt of the County, the State or any political subdivision thereof nor a legal

Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would constitute a violation of the securities laws of such jurisdiction.

or equitable pledge, charge, lien or encumbrance upon any of their respective property of the County, or upon any of their income, receipts or revenues, except the Assessment Installments. See “Security for the Bonds” herein.

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The Bonds are offered when, as, and if issued by the County and received by the Underwriter, subject to approval by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the County by County Counsel and by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Nossaman LLP, Irvine, California. It is anticipated that the Bonds in book entry form will be available for delivery through the facilities of DTC, on or about March __, 2015.

Stifel

Dated: March __, 2015

MATURITY SCHEDULE

\$370,000*
County of Los Angeles
County Improvement District No. 2661-M
(Carroll Drive Sewer Project)
Limited Obligation Improvement Bonds
Series 2015

(Base CUSIP: _____)

\$_____ Serial Bonds

<u>Maturity September 2</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.[†]</u>
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				

\$_____ % Term Bonds due September 2, 20__ Priced to Yield: _____% - CUSIP No.[†] _____

* Preliminary, subject to change.

[†] Copyright, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. The County and the Underwriter do not assume responsibility for the accuracy of such data.

[DISTRICT MAP]

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth in this Official Statement has been obtained from the County, and other sources that are believed by the County to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of the Bonds made under the Indenture shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the County.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The County does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.



COUNTY OF LOS ANGELES

COUNTY IMPROVEMENT DISTRICT NO. 2661-M (CARROLL DRIVE SEWER PROJECT) LIMITED OBLIGATION IMPROVEMENT BONDS SERIES 2015

Board of Supervisors

Michael D. Antonovich
Fifth District, Mayor

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Sheila Kuehl
Third District

Don Knabe
Fourth District

Patrick Ogawa
*Acting Executive Officer-Clerk
Board Of Supervisors*

County Officials

Sachi A. Hamai
Interim Chief Executive Officer

Mark J. Saladino
County Counsel

Joseph Kelly
Treasurer and Tax Collector

John Naimo
Auditor-Controller

Hawkins Delafield & Wood LLP
Bond Counsel and Disclosure Counsel

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\$370,000*
County of Los Angeles
County Improvement District No. 2661-M
(Carroll Drive Sewer Project)
Limited Obligation Improvement Bonds
Series 2015

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the appendices attached hereto (this “Official Statement”), provides information concerning the sale and issuance of the \$370,000 County of Los Angeles County Improvement District No. 2661-M (Carroll Drive Sewer Project) Limited Obligation Improvement Bonds, Series 2015 (the “Bonds”). *This Introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the entire Official Statement. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to and summaries of provisions of the Constitution and laws of the State of California (the “State”) and any documents referred to in this Official Statement do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. All capitalized terms used in this Official Statement and not defined herein shall have the meanings set forth in the Indenture (herein defined). See Appendix A – “Summary of Certain Provisions of the Indenture” attached hereto.*

Purpose of the Bonds

The Bonds are being issued pursuant to the provisions of the Improvement Bond Act of 1915, being Division 10 of the Streets and Highways Code of California (as amended, the “1915 Act”), and the Indenture, dated as of March 1, 2015 (the “Indenture”), by and among the County, the County Auditor-Controller, as fiscal agent (the “Fiscal Agent”), and the County Treasurer and Tax Collector (the “Treasurer”), as paying agent. The proceeds of the Bonds will be used to finance the design and construction of sanitary sewers and related work (the “Project”) located within the unincorporated area of the County in the community of Altadena (the “Assessment District”), fund capitalized interest to September 2, 2015, fund a Reserve Fund and pay costs of issuance for the Bonds. The Bonds are secured by and represent unpaid benefit assessments (the “Assessments”) levied upon real property within the Assessment District and are also secured by the other amounts pledged therefor pursuant to the Indenture. Construction of the project, the levy and collection of the Assessments, and the legal proceedings of the County relative thereto are undertaken pursuant to the Municipal Improvement Act of 1913, being California Streets and Highways Code Sections 10000 *et seq.* (as amended, the “1913 Act”), Article XIIIID of the Constitution of the State of California and the Proposition 218 Omnibus Implementation Act.

* Preliminary, subject to change.

The Assessment District

The Assessment District was created by the County upon petition of certain owners of the property in the Assessment District pursuant to proceedings taken under the 1913 Act for the purpose of financing the Project. The Assessment District is comprised of 13 originally assessed residential parcels, nine of which prepaid in full the assessments for the Project prior to the issuance of Bonds. The parcels in the Assessment District and their respective assessments and certain other information relating thereto is set forth in the Engineer's Report dated March 31, 2014 (the "Engineer's Report") prepared by Willdan Financial Services (the "Assessment Engineer"). See "The Assessment District" herein and Appendix B – "Engineer's Report" attached hereto.

The Project

The Bonds are being issued to finance the design, construction and installation of approximately 467 linear feet of mainline local gravity flow (8-inch mainline vitrified clay pipe) sewer lines, approximately 325 linear feet of 6-9inch vitrified clay pipe service lateral line and three manhole structures and the replacement of roadway base and pavement over the resulting pipe trenches. See "The Project" herein and Appendix B – "Engineer's Report" attached hereto. Proceeds of the Bonds will also be used to fund capitalized interest to September 2, 2015, fund a Reserve Fund and pay costs of issuance incurred in connection with the issuance of the Bonds.

The Bonds

The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof. The Bonds will be dated their date of delivery and are payable with respect to interest semiannually each March 2 and September 2, commencing on September 2, 2015. The Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest and redemption premium, if any, on the Bonds will be paid by the Paying Agent to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds. See Appendix D – "The Book-Entry Only System" attached hereto.

Security for the Bonds

The Bonds are issued upon and secured by the Assessments on properties within the Assessment District and, together with interest thereon, constitute a trust fund for the redemption and payment of the principal of the Bonds and the interest thereon. Under the provisions of the 1915 Act, Assessments Installments sufficient to meet annual debt service on the Bonds are to be collected on the regular property tax bills of owners of properties within the Assessment District against which there are Assessments for such Assessment District. These annual installments are to be paid into an Debt Service Fund (the "Debt Service Fund") which will be held by the Fiscal Agent pursuant to the Indenture and used to the principal of and interest on the Bonds as they become due. See "The Assessment District" herein and "Bondowners' Risks – Parity Taxes and Special Assessments" herein. The County is not obligated to advance its own funds to pay debt service on the Bonds. See "Security for the Bonds" herein and Appendix A – "Summary of Certain Provisions of the Indenture" attached hereto.

The Bonds and interest thereon are not payable from the general funds of the County. Neither the credit of the County nor the taxing power of the County, the State or any political subdivision thereof is pledged for the payment of the Bonds or the interest thereon, and, except as provided herein, no Owner of the Bonds may compel the exercise of any taxing power by the County or force the forfeiture of any of their respective property. The principal of, and premium (if any) and interest on the Bonds are not a debt of the County, the State or any political subdivision thereof nor a legal or equitable pledge, charge, lien or encumbrance upon any of their respective property of the County, or upon any of their income, receipts or revenues, except the Assessment Installments. See “Security for the Bonds” herein.

Reserve Fund

Pursuant to the Indenture, the Fiscal Agent will establish and maintain the Reserve Fund for the Bonds (the “Reserve Fund”) from proceeds of the Bonds and will transfer amounts to the Debt Service Fund (as defined herein) in the event of delinquencies in the payment of any Assessments installments to the extent of such delinquencies. The Reserve Fund will be maintained from available Assessments payments within the Assessment District in an amount equal to its Reserve Requirement (defined herein), which will be adjusted to reflect any amount to be transferred to the Debt Service Fund in connection with the prepayment of Assessments. See “Security for the Bonds – Reserve Fund” herein. The County is not obligated to use available monies of the County to pay principal of and interest on the Bonds if there are delinquencies in the payment of Assessments after depletion of funds in the Reserve Fund.

Bondowners’ Risks

Certain events could affect the availability of funds sufficient to pay the principal of and interest on the Bonds when due. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves risks, and the Bonds are not appropriate investments for investors who are not able to bear those risks. See “Bondowners’ Risks” herein for a description of certain factors which should be considered in evaluating an investment in the Bonds.

Tax Matters

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the County, under existing statutes, interest on the Bonds is exempt from taxes imposed by the State of California. See “Tax Matters” herein.

Miscellaneous

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made under the

Indenture nor any future use of this Official Statement will under any circumstances create any implication that there has been no change in the affairs of the Assessment District since the date hereof.

Included herein are brief summaries of the Indenture and certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. See Appendix A – “Summary of Certain Provisions of the Indenture” attached hereto. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or Owners of any of the Bonds.

Copies of documents referred to herein and information concerning the Bonds are available from Mr. Glenn Byers, Director of Public Finance, Office of the County of Los Angeles Treasurer and Tax Collector, 432 Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles, CA 90012. The County may impose a charge for copying, mailing and handling these documents.

ESTIMATED SOURCES AND USES

The table below sets forth the estimated sources and uses of the proceeds of the Bonds:

Sources:	
Principal	\$
Premium	
Total:	<u>\$</u>
Uses:	
Deposit to Improvement Fund	\$
Deposit to Debt Service Fund ⁽¹⁾	
Deposit to Reserve Fund	
Underwriter's Discount	
Costs of Issuance ⁽²⁾	
Total:	<u>\$</u>

⁽¹⁾ Reflects capitalized interest to September 2, 2015.

⁽²⁾ Includes legal fees, paying agent fees and printing costs.

THE PROJECT

The Project includes the design and construction of a sanitary sewer system necessary to provide wastewater collection and conveyance to 13 private residential properties in an area located within the unincorporated area of Los Angeles County known as Altadena in the vicinity of the City of Pasadena. The Project consists of the design, construction and installation of approximately 467 linear feet of mainline local gravity flow (8-inch mainline vitrified clay pipe) sewer lines, approximately 325 linear feet of 6-9inch vitrified clay pipe service lateral line and three manhole structures and the replacement of roadway base and pavement over the resulting pipe trenches. Preliminary plans and specifications for [“County Improvement District No. 2661-M, Carroll Drive Sewer Project, and Other Rights-of-Way”] are on file in the office of the Clerk of the Board of Supervisors and the Department of Public Works. See Appendix B – “Engineer’s Report” attached hereto.

THE ASSESSMENT DISTRICT

General Description

The Assessment District is located in the unincorporated area of the County known as Altadena in the vicinity of the City of Pasadena. The Assessment District consists of 13 residential properties and one public easement that is part of the roadway (Carroll Drive), generally bounded to the west by Brae-Burn Road and to the east by Rubio Wash. The parcels and their respective assessments and certain other information relating thereto is set forth in the Engineer's Report. See Appendix B – "Engineer's Report" attached hereto.

Summary of Assessment Proceedings

On October 4, 2011, the Board of Supervisors adopted a resolution instituting proceedings for the formation of an assessment district pursuant to the 1913 Act for the construction of sanitary sewers in Carroll Drive and other right of way in the unincorporated Altadena community. On April 17, 2013, a public meeting regarding the enactment of the proposed assessment was conducted by the Department of Public Works. On April 8, 2014, the Board of Supervisors adopted a resolution of intention for the construction of the Project. On June 4, 2014, the Board of Supervisors held a protest hearing to any objections to the proposed work and extent of the Assessment District to be assessed and the assessments. Upon determining that no majority protest existed, the Board of Supervisors confirmed the assessments and ordered the Project as set forth in the Engineer's Report. The Assessment District to be benefited by the Project and to be assessed to pay the costs and expenses thereof are shown in the Engineer's Report. See Appendix B attached hereto. It was determined that the Bonds shall be issued in payment of the costs and expenses under the provisions of the 1915 Act, and that the public necessity require such improvement pursuant Article XVI, Section 19 of the Constitution of the State and Part 2 of Chapter 4.56 of the Los Angeles County Code. The Board of Supervisors confirmed the levy of assessments in the aggregate amount of \$594,999.99 (being \$45,769.23 per parcel, inclusive of bonding and other costs) on the 13 residential properties within the Assessment District. Four property owners paid \$35,907.31 (being the \$45,769.23 per parcel minus the bonding and other costs) each in full satisfaction of their respective assessments. There remains a total of \$411,923.07 in unpaid assessments on nine residential properties within the Assessment District.

Method of Assessment

The total estimated cost of the Project is \$595,000. These costs consist of the design, construction and installation of approximately 467 linear feet of mainline local gravity flow (8-inch mainline vitrified clay pipe) sewer lines, approximately 325 linear feet of 6-9inch vitrified clay pipe service lateral line and three manhole structures and the replacement of roadway base and pavement over the resulting pipe trenches. See "The Project" herein and Appendix B – "Engineer's Report" attached hereto.

There are three categories of special benefit that properties within the Assessment District receive as a result of the construction of the Project. These three categories of benefit include: the overall improved health and safety of the properties within the Assessment District, improved reliability of sewer services through the expansion and construction of a sewer system to serve the lots and parcels of land within the Assessment District, and improved financial stability for the property owners within the Assessment District.

As set forth in the Engineer's Report, all properties within the Assessment District that will be served or could be served by the sewer system will share equally in the total cost associated with each special benefit category and were assigned one Equivalent Benefit Unit ("EBU").

<u>Category of Special Benefit</u>	<u>EBUs</u>	<u>Benefit Allocation</u>
Improved Health and Safety	0.3333	33.33%
Improved Reliability	0.3333	33.33
Improved Financial Stability	<u>0.3334</u>	<u>33.34</u>
Total	<u>1.0000</u>	<u>100.00%</u>

Source: Engineer's Report.

Property Values

Assessed Valuation. On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution ("Article XIII A"). Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the County Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the period for which the reduction is applied. Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value. Future assessed valuation growth allowed under Article XIII A (including new construction, change of ownership, 2% annual value growth) will be allocated on the basis of situs among the jurisdictions that serve the tax rate area within which the growth occurs. Each year's growth allocation becomes part of each agency's allocation the following year. As a result of such annual adjustments to the full cash value of each property in the Assessment District, the County tax roll does not reflect values uniformly proportional to actual market values.

The following table sets forth the assessed values of all taxable property within the Assessment District.

**Assessed Values of Taxable Property
Fiscal Year 2010-11 through 2014-15**

Fiscal Year	Land Assessed Value	Structure Assessed Value	Total Assessed Value	Change from Prior Year
2010-11	\$2,618,364	\$1,468,255	\$4,086,619	N/A
2011-12	2,578,967	1,443,589	4,022,556	-1.57
2012-13	2,622,335	1,467,507	4,089,842	1.67
2013-14	2,744,644	1,539,060	4,283,704	4.74
2014-15	2,746,461	1,539,518	4,285,979	0.05

Source: Auditor-Controller of the County of Los Angeles, as compiled by David Taussig & Associates.

Value to Lien Ratios. The total of the assessments on all 13 parcels within the Assessment District is \$595,000, with assessments being \$45,769.23 per parcel. The assessment on four parcels were prepaid in full during the statutory 30-day prepayment period under the 1915 Act. The remaining unpaid assessments total \$411,923.07.

The following table sets forth assessed value to lien ratios for the nine parcels in the Assessment District with unpaid assessments.

Assessor Parcel Number⁽¹⁾	Fiscal Year 2014-15 Assessed Value	Percent of Total Fiscal Year 2014-15 Assessed Value	Assessment Lien	Overlapping Debt	Direct and Overlapping Debt⁽²⁾	Percent of Direct and Overlapping Debt	Value to Lien
5846-021-017	\$ 298,010	6.95%	\$45,769	\$3,690	\$49,459	10.64%	6.03
5846-021-020	591,401	13.80	45,769	7,297	53,066	11.42	11.14
5846-021-021	516,676	12.06	45,769	6,377	52,146	11.22	9.91
5846-021-023	786,582	18.35	45,769	9,698	55,467	11.93	14.18
5846-021-025	289,952	6.76	45,769	3,594	49,363	10.61	5.87
5846-021-033	474,732	11.08	45,769	5,863	51,632	11.11	9.19
5846-021-035	67,751	1.58	45,769	860	46,630	10.03	1.45
5846-021-036	627,837	14.65	45,769	7,745	53,514	11.51	11.73
5846-021-038	<u>633,038</u> <u>\$4,285,979</u>	<u>14.77</u>	<u>45,769</u>	<u>7,809</u>	<u>53,578</u>	<u>11.53</u>	11.82
Total:		<u>100.00%</u>	<u>\$411,923</u>	<u>\$52,932</u>	<u>\$464,855</u>	<u>100.00%</u>	9.22

⁽¹⁾ The Bonds are secured by and represent unpaid assessments upon all nine parcels within the Assessment District, not any individual parcel.

⁽²⁾ See "Direct and Overlapping Debt" herein.

Source: Assessed value from the County of Los Angeles 2014-15 equalized assessment rolls, as compiled by David Taussig & Associates.

Direct and Overlapping Debt

There are various overlapping local agencies within the Assessment District's boundaries that provide public services. Some of these local agencies have outstanding bonds which are secured by levies and charges on the parcels within the Assessment District. The direct and overlapping debt secured by taxes and assessment on the parcels within the Assessment District as of June 30, 2014 is shown in the following table.

County Improvement District No. 2661-M Direct and Overlapping Debt Statement As of June 30, 2014

Overlapping District	Fiscal Year 2014-15 Total Levy ⁽¹⁾	Levy on Parcels in Assessment District ⁽²⁾	Percent of Levy on Parcels in Assessment District	Total Debt Outstanding ⁽³⁾	Assessment District Share of Total Debt Outstanding
Pasadena Community College District	\$ 7,253,256	\$ 442	0.0061%	\$ 99,210,024	\$ 6,047
Pasadena Unified School District	35,267,542	4,544	0.0129	360,460,000	46,439
The Metropolitan Water District of Southern California	100,066,262	150	0.0001	132,275,000	198
Regional Park and Open Space District	80,534,054	176	0.0002	113,615,000	248
Total Overlapping Debt					\$ 52,932
Plus: Assessment District Liens ⁽⁴⁾					\$ 411,923
Estimated Share of Direct and Overlapping Debt					\$ 464,855
CID No. 2661 Fiscal Year					\$4,285,979
2014-15 Assessed Value (Taxable Property)					
Value to Lien Ratio					9.22

⁽¹⁾ The Fiscal Year 2014-15 total levy for the Pasadena Community College District ("PCCD") and the Pasadena Unified School District ("PUSD") were estimated by multiplying the district assessed value by the applicable Fiscal Year 2014-15 tax rate. The Fiscal Year 2014-15 total levy for The Metropolitan Water District of Southern California ("MWD") was provided by such entity. The Fiscal Year 2014-15 total levy for the Regional Park and Open Space District (the "Open Space District") was provided by the County of Los Angeles Auditor-Controller.

⁽²⁾ The levy on parcels in the Assessment District applicable to PCCD, PUSD and MWD were estimated by multiplying the Fiscal Year 2014-15 assessed value of parcels subject to the Assessment District special tax by the applicable Fiscal Year 2014-15 tax rate. Assessed valuation provided by County of Los Angeles Assessor's Office. Tax rates provided by County of Los Angeles Auditor-Controller's Office. The levy on parcels in the Assessment District applicable to the Open Space District was based on actual amounts levied on parcels subject to the Assessment District.

⁽³⁾ Total Debt Outstanding as of June 30, 2014.

⁽⁴⁾ Total unpaid assessments.

Source: David Taussig & Associates

THE BONDS

General Description

The Bonds shall be dated as of their date of issuance, shall be issued in the aggregate principal amount of \$370,000*, shall mature on the dates and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates set forth on the inside cover page hereof.

The Bonds will be payable with respect to interest semiannually each March 2 and September 2, commencing on September 2, 2015. The Bonds will be delivered in fully-registered form only without coupons in denominations of \$5,000 or any integral multiple thereof, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest and redemption premium, if any, on the Bonds will be paid by the Paying Agent to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds. See Appendix D – “The Book-Entry Only System” attached hereto.

Principal of and interest and redemption premium, if any, on the Bonds shall be payable in lawful money of the United States of America. The principal of the Bonds shall be payable on the maturity date set forth in the Bonds. Interest with respect to each Bond shall accrue from the Bond Date (as defined in the Indenture). Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date (as defined in the Indenture) but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest shall be payable from the Bond Date; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on that Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment. See Appendix A – “Summary of Certain Provisions of the Indenture” attached hereto.

Redemption

Optional Redemption of Bonds.* The Bonds maturing on or after September 2, 20__ are subject to redemption prior to maturity, in whole or in part in the denomination of \$5,000 each or in any integral multiple thereof on any Interest Payment Date, on and after September 2, 20__, pro rata among maturities and by lot within a maturity, from surplus monies on deposit and available for such purpose in the Debt Service Fund from sources other than those in the Prepayment Account, at the option of the County at the redemption price equal to the principal amount thereof, together with a premium (expressed as a percentage of the principal amount of Bonds to be redeemed), plus accrued interest to the date of redemption as set forth in the following table:

* Preliminary, subject to change.

Redemption Dates

Redemption Premium

Interest Payment Dates Through [March 2, 20__]	__%
September 2, 20__ and March 2, 20__	__
September 2, 20__ and March 2, 20__	__
September 2, 20__ and thereafter	__

Mandatory Sinking Fund Redemption.* The Bonds maturing on September 2, 20__ (the “Term Bonds”) are subject to mandatory sinking fund redemption in part, by lot, on such September 2 from mandatory sinking fund payments deposited into the Debt Service Fund, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium:

<u>Year</u>	<u>Principal Amount</u>
	\$

*

* Maturity.

If some but not all of the Term Bonds maturing on September 2, 20__ are optionally redeemed, the principal amount of Term Bonds maturing on September 2, 20__ to be subsequently redeemed pursuant to this subsection shall be reduced by the aggregate principal amount of the Term Bonds maturing on September 2, 20__ so optionally redeemed, such reduction to be allocated among redemption dates in amounts of \$5,000 or integral multiples thereof, as designated by the County.

In lieu of having the Fiscal Agent deposit cash with the Paying Agent as a mandatory sinking fund payment, the County shall have the option to tender to the Paying Agent for cancellation any amount of Bonds purchased by the County, which Bonds may be purchased by the County at public or private sale as and when and at such prices as the County may in its discretion determine. The principal amount of any Bonds so purchased by the County and tendered to the Paying Agent in any twelve-month period ending on July 1 in any calendar year shall be credited towards and shall reduce the next mandatory sinking fund payments required to be made in the order in which they are required to be made pursuant to the Indenture.

Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Fiscal Agent shall select the Bonds to be redeemed from all Bonds not previously called for redemption, by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate and fair, as specified in a written certificate of the County. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

* Preliminary, subject to change.

Partial Redemption. Upon surrender of any Bond to be redeemed in part only, the Paying Agent shall authenticate and deliver to the Owner a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered, with the same interest rate and the same maturity. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County shall be released and discharged thereupon from all liability to the extent of such payment.

Notice of Redemption. The Paying Agent on behalf and at the expense of the County shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, at least 30 days (or other shorter period upon the consent of the Owners of any Bonds designed for redemption) but not more than sixty 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers (if any) of the Bonds to be redeemed, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the office of the Paying Agent for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption and with regard to optional redemption in the event that funds required to pay the redemption price are not on deposit under the Paying Agent Agreement at the time the notice of redemption is sent, a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Paying Agent on or prior to the redemption date. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the sufficiency of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. The County has the right to rescind any optional redemption premium, if any, from prepayments of unpaid assessments by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be canceled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Paying Agent shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Notice of redemption having been duly given as aforesaid, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption: (1) the Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Indenture, anything in this Indenture or in the Bonds to the contrary notwithstanding; (2) upon presentation and surrender thereof at the office of the Paying Agent, such Bonds shall be redeemed at the redemption price; (3) from and after the Redemption Date, the Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or portions thereof shall cease to accrue interest; and (4) from and after the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of this Indenture or to any other rights, except with respect to payment of the redemption price and interest accrued to the Redemption Date from the amounts so made available.

Debt Service Schedule

The following table sets forth the debt service schedule for the Bonds.

<u>Year Ending September 2</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
---	-------------------------	------------------------	----------------------------------

<u>2016</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>2017</u>			
<u>2018</u>			
<u>2019</u>			
<u>2020</u>			
<u>2021</u>			
<u>2022</u>			
<u>2023</u>			
<u>2024</u>			
<u>2025</u>			
<u>2026</u>			
<u>2027</u>			
<u>2028</u>			
<u>2029</u>			
<u>2030</u>			
<u>2031</u>			
<u>2032</u>			
<u>2033</u>			
<u>2034</u>			
<u>Total</u>			

SECURITY FOR THE BONDS

Assessments

Pursuant to the Indenture, the County pledges and assigns to the Paying Agent and the Fiscal Agent in trust for the security of the Bondowners, all of its right, title and interest in the Assessments, the proceeds of the sale of the Bonds and all other funds, accounts and sub-accounts (other than the Improvement Fund, the Administrative Expense Fund and the Rebate Fund) created under the Indenture for the payment of principal of and interest and redemption premium, if any, on the Bonds. Pursuant to the 1915 Act and the Indenture, the Bonds shall be and are equally secured by a pledge of and lien upon the Assessments and the amounts on deposit in aforementioned funds and accounts.

Under the provisions of the 1915 Act, Assessments Installments sufficient to meet annual debt service on the Bonds are to be collected on the regular property tax bills of owners of properties within the Assessment District upon which there are Assessments. These annual installments are to be paid into the Debt Service Fund, which will be held by the Fiscal Agent pursuant to the Indenture and used to the principal of and interest on the Bonds as they become due. See “The Assessment District” herein and “Bondowners’ Risks – Parity Taxes and Special Assessments” herein. The County is not obligated to advance its own funds to pay debt service on the Bonds. See Appendix A – “Summary of Certain Provisions of the Indenture” attached hereto.

The Assessments and each installment thereof and any interest and penalties thereon constitute a lien against the parcels of land on which the Assessments are levied until the same are paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all existing and future private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is coequal to and independent of the lien for general property taxes. The County has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property

within the Assessment District. See “Bondowners’ Risks – Parity Taxes and Special Assessments” herein.

The Assessments and interest thereon will be collected in annual installments on the Los Angeles County tax roll on which general taxes on real property are collected, and are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do said general taxes. The property upon which the Improvement Assessments were levied is subject to foreclosure, sale and redemption if the Assessment installments are not paid when due. The Assessments installments billed against the parcels of property in the Assessment District will be equal to the total principal and interest coming due on all of Bonds that year, plus an amount to cover the administrative charges of the County related to the Bonds and such Assessments. If a delinquency occurs in the payment of any Assessment or interest thereon, the County has no duty to transfer available moneys of the County for payment of principal of or interest on the Bonds. See “Security for the Bonds – Limited Obligation; No Required Advances” herein.

Limited Obligation

The Bonds and interest thereon are not payable from the general funds of the County. Neither the credit of the County nor the taxing power of the County, the State or any political subdivision thereof is pledged for the payment of the Bonds or the interest thereon, and, except as provided herein, no Owner of the Bonds may compel the exercise of any taxing power by the County or force the forfeiture of any of their respective property. The principal of and interest and redemption premium, if any, on the Bonds are not a debt of the County, the State or any political subdivision thereof nor a legal or equitable pledge, charge, lien or encumbrance upon any of their respective property of the County, or upon any of their income, receipts or revenues, except the Assessment Installments.

Establishment of Funds and Accounts

Improvement Fund. The Fiscal Agent will establish the Improvement Fund and, within the Improvement Fund, a Cash Proceeds Account and a Bond Proceeds Account. All cash payments of Assessments made by owners of property in the Assessment District prior to the issuance of the Bonds shall be deposited by the Treasurer and held by the Fiscal Agent in the Cash Proceeds Account of the Improvement Fund. All moneys deposited in the Improvement Fund constituting proceeds of the sale of the Bonds, shall be deposited and held by the Fiscal Agent in the Bond Proceeds Account of the Improvement Fund. The Fiscal Agent shall first apply and expend moneys on deposit in the Bond Proceeds Account. Amounts on deposit in the Cash Proceeds Account shall be applied and expended only if there are no available amounts in the Bond Proceeds Account. All moneys on deposit in the Improvement Fund shall be held by or on behalf of the Fiscal Agent in trust and shall be applied for the payment of Project Costs and expenses incidental thereto.

Upon the earlier of completion of the Project or a determination by the County in its sole discretion to terminate construction and acquisition of the Project, the Director of Public Works shall deliver to the Treasurer and the Fiscal Agent a Certificate of Completion. Upon the delivery of such Certificate of Completion, any balance in the Improvement Fund (less the amount of any retention or fees, costs or indemnifications indicated in the Certificate) shall be used: (a) for transfer to the general fund of the County of Los Angeles provided that the amount of the surplus does not exceed \$1,000 or five percent of the total amount expended from the Improvement Fund, whichever is less, (b) if the amount of the surplus is greater than that allowed under (a), then as a credit upon the assessment and

any supplemental assessment, in the manner provided in Section 10427.1 of the Streets and Highways Code, or (c) for the maintenance of the improvements.

Debt Service Fund and Accounts. The Fiscal Agent will establish and maintain the Debt Service Fund (the "Debt Service Fund") and, within the Debt Service Fund, a Payment Account and a Prepayment Account.

All sums received by the County in connection with the collection of Assessment Installments, after deduction of the portion of any portion representing the administrative charges to be paid to the County, shall be deposited and held in the Payment Account of the Debt Service Fund. The Paying Agent shall make payments of interest and principal due and payable on the Bonds from monies which shall be transferred to it by the Fiscal Agent on or before such date from the Payment Account of the Debt Service Fund on each Interest Payment Date and each Principal Payment Date. In the event of any deficiency in the Payment Account for payment of principal of and interest on the Bonds, the Fiscal Agent shall, to the extent available, transfer amounts from the Reserve Fund to the Payment Account or directly to the Paying Agent for application first to the payment of interest on the Bonds, next to the payment of principal due on such Bonds and then to the payment of principal due on such Bonds or any portion thereof called for optional redemption.

On each September 2 beginning on the first Principal Payment Date, all monies in the Payment Account in excess of the amount necessary to make the payments of principal of and interest on the Bonds then due or overdue and payable on such date (assuming all Owners entitled to payment on or before such date take or have taken any and all actions necessary on their part to receive amounts due them) shall be applied as follows: (i) prior to the filing of the Certificate of Completion, to the Cash Proceeds Account of the Improvement Fund for application in accordance the Indenture; and (ii) following the filing of the Certificate of Completion, (1) to the Reserve Fund to the extent of any deficiency therein, (2) to the Administrative Expense Fund for application in accordance with the Indenture, and (3) any remaining amounts to the Prepayment Account of the Debt Service Fund for application to the optional redemption of the Bonds.

Amounts received from or on behalf of any property owner as prepayment of any Assessment shall be deposited by the Fiscal Agent in the Prepayment Account of the Debt Service Fund. The Fiscal Agent shall also deposit in the Prepayment Account amounts transferred to such account from the Reserve Fund. Amounts in the Prepayment Account shall be used to pay the principal of and redemption premium on Bonds the maturities of which shall have been advanced pursuant to Parts 11 or 11.1 of the 1915 Act, codified as Sections 8750 *et seq.* and 8760 *et seq.* of the California Streets and Highways Code. The Paying Agent, at the direction of the Treasurer if the Paying Agent is not the Treasurer, shall advance the maturity of and call Bonds for redemption pursuant to the Indenture and the 1915 Act whenever and to the extent surplus monies are on deposit in the Prepayment Account sufficient to pay the principal of Bonds in integral \$5,000 amounts plus the redemption premium thereon. On or after each Redemption Date, or prior thereto with the consent of the Treasurer, upon presentation and surrender thereof, the Paying Agent shall pay the principal of and redemption premium on each Bond the maturity of which has been so advanced from the Prepayment Account. Interest accrued on each such Bond to the earlier of the payment date or Redemption Date shall be paid from monies transferred to the Paying Agent on or before such date by the Fiscal Agent from the Payment Account of the Debt Service Fund.

Costs of Issuance Fund. Money in the Costs of Issuance Fund shall be used by the Fiscal Agent from time to time to pay the Costs of Issuance. On or before 180 days following the issuance of

the Bonds, the Fiscal Agent shall transfer all amounts (if any) remaining in the Costs of Issuance Fund to the Debt Service Fund.

Administrative Expense Fund. The County will maintain the Administrative Expense Fund and deposit therein all amounts received by the County for Administrative Expenses pursuant to Sections 10204(f) and 10312(b) of the 1913 Act, which amounts will be applied by the Fiscal Agent to the payment of Administrative Expenses. The first money received by the Treasurer with respect to each parcel in each fiscal year up to the amount levied pursuant to Section 10312(b) of the 1913 Act shall be deemed in satisfaction of such assessment for Administrative Expenses and shall be transferred to the Fiscal Agent for deposit in the Administrative Expense Fund.

On each June 30 amounts on deposit in the Administrative Expense Fund in excess of the Administrative Expenses expected to be incurred through the next succeeding Fiscal Year may be applied as a credit upon the assessment levied for the upcoming Fiscal Year for Administrative Expenses pursuant to the 1913 Act.

Investments. All moneys in any of the funds or accounts established pursuant to this Indenture shall be invested by the Fiscal Agent solely in any legal investment of County funds. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Moneys in the Debt Service Fund and the accounts therein shall be invested only in obligations which will by their terms mature on such dates as to ensure the timely payment of principal and interest on the Bonds as the same become due. All interest or gain derived from the investment of amounts in any of the funds or accounts under the Indenture shall be deposited in the fund or account from which such investment was made. For the purpose of determining the amount in any fund or account under the Indenture, the value of investments credited to such fund or account shall be calculated at the cost thereof, excluding accrued interest and brokerage commissions, if any.

Reserve Fund

At the time of issuance of the Bonds, there shall be deposited in the Reserve Fund from proceeds of the Bonds an amount equal to the Reserve Requirement, being initially \$ _____. "Reserve Requirement" means, as of the date of any calculation, which calculation shall be made by the Fiscal Agent, an amount equal to the least of (a) 100% of the Maximum Annual Debt Service on the Bonds for that or any subsequent Bond Year, or (b) 10% of the issue price (within the meaning of section 148 of the Code) of the Bonds or (iii) 125% of average Annual Debt Service on the Bonds for that and any subsequent Bond Year. "Maximum Annual Debt Service" means the highest amount of Annual Debt Service for any remaining Bond Year. "Annual Debt Service" means the total amount of principal and interest coming due and payable on the Bonds during any calendar year, as adjusted from time to time following any redemption of Bonds in advance of maturity. "Bond Year" means each twelve-month period beginning on September 3 in each year and extending to the next succeeding September 2, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 2, 2016.

Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds (i) in the event of prepayment of assessments in an amount which shall equal the ratio of the total amount initially provided for the Reserve Fund to the total amount originally assessed in the proceedings for the Bonds, said ratio multiplied by the amount of the prepayment, or (ii) in the event that the moneys in the Debt Service Fund are insufficient therefor. On each principal payment date for the Bonds, all monies in the Payment Account of the Debt Service Fund in excess of the amount necessary to make the payments of principal of and interest on the Bonds then due or overdue

and payable on such date may be transferred pursuant to the Indenture and to the extent permitted by law to be applied by the Fiscal Agent as follows: (i) first, to the Payment Account of the Debt Service Fund to be applied to the payment of principal or interest due on the Bonds; and (ii) second, to the Prepayment Account of the Debt Service Fund for application to the optional redemption of Bonds.

Whenever an Assessment is prepaid in whole or in part, the Fiscal Agent shall transfer from the Reserve Fund to the Debt Service Fund an amount equal to the product of the ratio of the original amount of the Assessment so paid to the original amount of all unpaid Assessments, times the initial Reserve Requirement; provided, however, no such transfer shall be made if after the transfer the amounts in the Reserve Fund then remaining will not equal the Reserve Requirement as determined immediately subsequent to such transfer.

Whenever the balance in the Reserve Fund is sufficient to retire all the Outstanding Bonds, whether by advance retirement or otherwise, collection of the principal and interest on the Assessments shall be discontinued and the Reserve Fund liquidated by the Fiscal Agent in retirement of the Outstanding Bonds. In the event that the balance in the Reserve Fund at the time of liquidation exceeds the amount required to retire all of the Outstanding Bonds, the excess shall, after payment of amounts due to the Fiscal Agent, be transferred to the County.

Covenant to Foreclose

Pursuant to the Indenture, the County will initiate procedures to determine or cause to be determined if any Assessment was not paid when due during the fiscal year ended the prior June 30. If any such assessment was not paid and if the balance in the Reserve Fund is less than the Reserve Requirement, the County shall, upon the written request of the Owners, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner, and if the delinquency remains uncured within 90 days of such notice,] order and cause to be commenced, and thereafter prosecute to completion judicial foreclosure proceedings upon the lien of delinquent unpaid assessments as necessary or desirable to result in assessment revenues sufficient to pay any delinquent principal of or interest on the Bonds and satisfy the Reserve Requirement. Upon the redemption or sale of the real property responsible for such delinquent Assessment Installments, the County shall deposit to the Reserve Fund, the amount of any delinquency advanced therefrom to the Debt Service Fund for payment of principal or interest on the Bonds. See “Bondowners’ Risk – Property Value; Price Realized Upon Foreclosure” and “– Bankruptcy and Foreclosure” herein.

BONDOWNERS’ RISKS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds. However, these factors do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of the County. Neither the credit of the County nor the taxing power of the County, the State or any political subdivision thereof is pledged for the payment of the Bonds or the interest thereon, and, except as provided herein, no Owner of the Bonds may compel the exercise of any taxing power by the County or force the forfeiture of any of their respective property. The principal of and interest and redemption premium, if

any, on the Bonds are not a debt of the County, the State or any political subdivision thereof nor a legal or equitable pledge, charge, lien or encumbrance upon any of their respective property of the County, or upon any of their income, receipts or revenues, except the Assessment Installments.

Failure to Pay Assessment Installments

Under the provisions of the 1915 Act, Assessments Installments, from which funds for the payment of principal of and interest on the Bonds are derived, will be billed to properties against which there are Assessments on the regular property tax bills of the owners of such properties. Such Assessments Installments are due and payable, and bear the same penalties and interest for nonpayment, as regular property tax installments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make payments of Assessments installment in the future.

The County has established a Reserve Fund for the Bonds, which is required to be maintained in the amount of the Reserve Requirement, to pay for deficiencies in Debt Service Fund which result from delinquencies in the payment of the Assessments. Assessments are secured by liens on the parcels of land and the County can institute foreclosure proceedings to sell land in the Assessment District with delinquent Assessments installments for the amount of such delinquent installments in order to obtain funds to pay debt service on the Bonds.

Failure by owners of the parcels to pay Assessments installments when due, the depletion of a Reserve Fund, or the inability of the County to sell parcels that are subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Assessments may result in the inability of the County to make full or punctual payments of debt service on the Bonds, and Bond Owners would therefore be adversely affected.

Although the Assessments constitute fixed liens on the parcels assessed, the Assessments do not constitute a personal indebtedness of the owners of such parcels. There is no assurance the property owners upon which the Assessments are imposed will be able to pay the Assessments installments or that they will pay such installments even though financially able to do so. In addition, there can be no assurance that the present owners will continue to own their parcels.

Limitations on Enforceability of Remedies

The remedies available to the Fiscal Agent, the County, or the Owners of the Bonds upon any nonpayment of Assessments installments are in many respects dependent upon judicial actions, which are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code) and relevant banking and insurance law, the remedies provided in the 1915 Act and the 1913 Act may not be readily available or may be limited.

Bankruptcy and Foreclosure

Bankruptcy proceedings do not cause the lien of the Assessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale of tax sale proceedings, thereby delaying such proceedings perhaps for an extended period. Any such delays would increase the possibility of delinquent Assessments not being paid in full and the likelihood of a delay or default in payment of the principal of and interest on the Bonds. In such event, the chances are

increased that the Reserve Fund could be partially or fully depleted during any such delay in obtaining payment of delinquent Assessments. As a result, sufficient moneys would not be available in the Reserve Fund for transfer to the Redemption Fund to make up shortfalls resulting from delinquent payments of the Assessments and thereby to pay principal of and interest on the Bonds on a timely basis. Further, should remedies be exercised under the federal bankruptcy laws against parcels in the District, payment of the Assessments may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over the Assessments in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

Property Value and Sales Proceeds Realized Upon Foreclosure

The property within the Assessment District may be affected by changes in the general economic conditions, fluctuations in the real estate market, earthquakes, floods, land use regulations, the presence of hazardous substances and other factors. If a property owner is delinquent in the payment of Assessment installments, the County's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the delinquent Assessments installments. However, the property within the Assessment District which is delinquent in the payment of its Assessment may not see its assessed value at a foreclosure sale.

Pursuant to the 1915 Act, in the event any delinquency in the payment of the Assessments installment occurs, the County may commence an action in superior court to foreclose the lien of the Assessments therefor. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. Under certain circumstances, property may be sold upon foreclosure at a lesser Minimum Price or without a Minimum Price. "Minimum Price" as used in the 1915 Act, is the amount equal to the delinquent installments of principal or interest of the assessment or reassessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the 1915 Act. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than Minimum Price will not result in an ultimate loss to the applicable Bondowners or, under certain circumstances, if owners of 75% or more of the outstanding Bonds consent to such sale. Further, there can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid a delay in payments of debt service on the Bonds. The County has covenanted for the benefit of the owners of the Bonds that the County will initiate procedures to determine or cause to be determined if any Assessment was not paid when due during the fiscal year ended the prior June 30. If any such assessment was not paid and if the balance in the Reserve Fund is less than the Reserve Requirement, the County shall, upon the written request of the Owners, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner, and if the delinquency remains uncured within 90 days of such notice, order and cause to be commenced, and thereafter prosecute to completion pursuant to Section 8830 *et seq.* of the California Streets and Highways Code, judicial foreclosure proceedings upon the lien of delinquent unpaid assessments as necessary or desirable to result in assessment revenues sufficient to pay any delinquent principal of or interest on the Bonds and satisfy the Reserve Requirement.

Limited Obligation of the County Upon Delinquency

The County is not obligated to use available monies of the County to pay principal of and interest on the Bonds if there are delinquencies in the payment of Assessments after depletion of funds in the Reserve Fund. In accordance with Section 8769(b) of the 1915 Act, the County has determined that it will not advance funds from its treasury to cure any deficiency in the Debt Service Fund.

Parity Taxes and Special Assessments

The Assessments and each installment thereof and any interest and penalties thereon constitute a lien against the parcels of land on which the Assessments are levied until the same are paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all existing and future private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is coequal to and independent of the lien for general property taxes. The County, however, has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the Assessment District. In addition, the landowners within the Assessment District may, without the consent or knowledge of the Assessment District, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the assessment. See “The Assessment District – Direct and Overlapping Debt” herein.

The County has no control over the amount of indebtedness that could be issued by other public agencies in the future, and the liens on the property within the Assessment District could greatly increase without any corresponding increase in the value of the property within the Assessment District and thereby reduce the ratio that exists at the time the Bonds are issued of the value of the property to the debt secured by all taxes and assessments thereon. The imposition of such additional indebtedness could also reduce the willingness and ability of the property owners within the Assessment District to pay the Assessments when due.

Earthquakes and Natural Disasters

There are several earthquake faults in southern California that potentially could result in damage to homes, roads and property within the Assessment District in the event of an earthquake. Earthquake insurance is available to property owners, but property owners are not required to purchase such insurance. Damage or destruction to property within the Assessment District caused by earthquake or other natural disasters could result in significant reduction in the value of property within the Assessment District and no source of funds for reconstruction.

No Acceleration Provision

The principal of and interest on the Bonds may not be accelerated in the event of a default in the payment of principal of and interest on the Bonds or other default under the terms of the Bonds or the Indenture.

Proposition 218

On November 5, 1996, the California voters approved Proposition 218, a constitutional initiative entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Articles XIII C (“Article XIII C”) and XIII D (“Article XIII D”) to the California Constitution and contains a number of interrelated provisions limiting the ability of local governments, including the County, to impose and collect both existing and future taxes, assessments, fees and charges. Article XIII C, among other things, expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to

local taxes, assessments, fees or charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

The repeal of local taxes, assessments, fees or charges could be challenged as a violation of the prohibition against impairing contracts under the contract clause of the United States Constitution. Subsequent to the amendment of Article XIII C, the State Legislature approved SB 919 (the “Proposition 218 Omnibus Implementation Act”), which directed that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County in connection with the Bonds, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the County, under existing statutes, interest on the Bonds is exempt from taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to

their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. For example, the Fiscal Year 2016 Budget proposed by the Obama

Administration recommends a 28% limitation on “all itemized deductions, as well as other tax benefits” including “tax-exempt interest.” The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement. A complete copy of the proposed form of Approving Opinion of Bond Counsel is contained in Appendix C – “Form of Approving Opinion of Bond Counsel” attached hereto. Certain legal matters will be passed upon for the County by County Counsel and by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Nossaman LLP, Irvine, California.

LITIGATION

There is no litigation pending, or to the best knowledge of the County, threatened concerning the validity of the Bonds, the Assessments securing the Bonds, any action taken by the County in connection with the formation of the Assessment District, the levying of the Assessments therein, the authorization of the Indenture or any other document relating to the Bonds to which the County is or is to become a party, the issuance of the Bonds or the performance by the County of any of its obligations under any of the foregoing.

NO RATING

The County has not applied to any rating agency for the assignment of a rating with respect to the Bonds. Ratings on the County’s debt obligations are not reflective of the credit for the Bonds. Prospective purchasers of the Bonds are required to make independent determinations as to the credit quality of the Bonds and their appropriateness as an investment. See “Bondowners’ Risks” herein.

NO CONTINUING DISCLOSURE

The Bonds are exempt from the continuing disclosure and other requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The County will not undertake to provide any annual report or notices with respect to the Bonds or the security provided therefor.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the County.

GLENN BYERS

**DIRECTOR OF PUBLIC FINANCE
COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

This Summary of Certain Provisions of the Indenture contains only a brief summary of certain of the terms of the Indenture and a full review should be made of the entire Indenture. All statements contained in this Appendix A are qualified in their entirety by reference to the entire Indenture. Terms used in this Appendix A but not defined herein shall be as defined in the Official Statement and in the Indenture. References to, and summaries of, provisions of the Indenture do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

[To Come.]

APPENDIX B
ENGINEER'S REPORT

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the County, will render its opinion with respect to the Bonds in substantially in the following form:

[To come.]

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book entry system has been obtained from DTC, and the County and the Underwriter take no responsibility for the completeness or accuracy thereof. The County and the Underwriter cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

NEITHER THE COUNTY OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR PREPAYMENT.

The County cannot give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. In the event that the book-entry only system is discontinued as described above, the requirements of the Indenture will apply.